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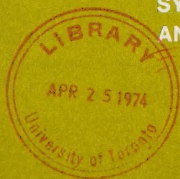


OMERS

1971

ONTARIO  
MUNICIPAL  
EMPLOYEES  
RETIREMENT  
SYSTEM  
ANNUAL REPORT

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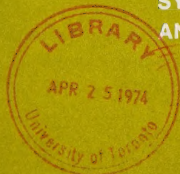
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OMERS

1971

ONTARIO  
MUNICIPAL  
EMPLOYEES  
RETIREMENT  
SYSTEM  
ANNUAL REPORT







**The Honourable  
William G. Davis, Q.C.**  
*Prime Minister of Ontario*

**The Honourable  
W. D. McKeough**  
*Treasurer of Ontario and  
Minister of Economics and  
Intergovernmental Affairs.*

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**The Honourable W. D. McKeough**  
*Treasurer of Ontario and  
Minister of Economics and Intergovernmental Affairs*

I am pleased to present to you the Tenth  
Annual Report on the affairs of the Ontario  
Municipal Employees Retirement System  
for the year ended December 31, 1971.

*August 1, 1972*

Anne H. Jones, Chairman  
*Ontario Municipal Employees  
Retirement Board*

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# **The Ontario Municipal Employees Retirement Board** *as at December 31, 1971*

**Chairman**  
Mrs. Anne H. Jones  
*Controller, Hamilton*

**Vice-Chairman**  
Mr. J. M. McLeish  
*Housing Standards  
Officer, London*

## **Members**

Mr. R. F. Bevan  
*Inspector of  
Administration, Niagara  
Region Police Force,  
St. Catharines*

Mr. D. P. Holmes  
*Comptroller of Finances  
Department of Treasury  
and Economics,  
Toronto*

Mr. R. S. Chambers  
*Fire, Toronto*

Mr. A. W. Reeve  
*Director, Municipal  
Accounting Branch,  
Department of  
Municipal Affairs, Toronto*

Mr. L. D. Groombridge  
*Manager and Treasurer,  
Chatham*

Mr. H. L. Harris  
*Manager, Public  
Utilities Commission,  
Sault Ste. Marie*

Mr. G. D. Spry  
*Director, School  
Business Administration  
Branch, Department of  
Education, Toronto*

Mr. P. Hickey  
*Assistant Deputy  
Minister, Department of  
Municipal Affairs,  
Toronto*

Mr. E. V. Swain, Q.C.  
*Mayor, Kingston*

\* \*

\* \*

**Secretary-Treasurer**  
Mr. D. W. Barron

**Financial Advisor**  
Mr. P. Hickey, F.C.A.

**Actuaries**  
The Wyatt Company

**Legal Counsel**  
Mr. J. Bell, Q.C.

**Auditors**  
McDonald, Currie & Co.

**Medical Advisor**  
Dr. R. G. McKenzie

## The System in Brief

The Ontario Municipal Employees Retirement System was established in 1962 to provide pension benefits for employees of municipalities and local boards in Ontario.

The System provides:

- A basic pension benefit in respect of the contributory earnings of each member after his enrolment in the System. Basic pension benefits are calculated at a uniform rate for all members and contributions are made on a dollar for dollar basis by the members and their employers.
- A prior service pension benefit in respect of service before the employer commenced to participate in the System to permit the employer to wind up an existing pension plan by transferring the assets to OMERS.
- A supplementary pension benefit in respect of future service or future and past service of the members.

Supplementary pension benefits are optional and are provided by agreement between the employer and the Board. These agreements were designed to permit an employer to improve the amount of pension otherwise payable to his employees. For example, a supplementary agreement may provide for the payment of a pension based on the member's service and the average of his best 60 consecutive months' earnings.

he costs under a prior service or supplementary agreement depend on the amount of benefit required to be provided under the agreement and the responsibility for payment of the cost rests with the employer and the members under the agreement.

## Highlights of 1971

In view of the increasing number of problems arising from the continued growth of OMERS, the Board continued to meet frequently in 1971.

A considerable amount of time was devoted by the Board to the following problems of administration and to requests from employee groups, employers and others, with respect to revisions in the terms and provisions and the benefit structure of the System.

The increased demand for supplementary benefit costings and supplementary benefit agreements required the Board's careful attention to the manner in which the costings are being requested and forwarded as well as a study of the various types of supplementary benefits offered to the members.

The Board made many studies in 1971, concerning the benefit and contribution structure of the System and the Supplementary plans and met delegations representing members' groups and received briefs for the Board's study.

As a result of the Board's study and deliberation on the many problems of concern to the System, the following recommendations were made to the Minister.



- Improvement in the widow's pension to 50% of a member's earned pension plus 10% of the member's earned pension for each child of the member under age 18 or under age 21 if attending an educational institution on a full time basis (maximum widow's pension — 75% of the member's earned pension).
- Improvement of 5%, effective January 1, 1972, in the accrued basic pension benefits of the contributing members, pensioners and deferred pensioners. This improvement in benefits is financed by an actuarial surplus in the fund and is in addition to the 10% improvement granted as of January 1, 1971, resulting in an overall increase in the basic accrued pension benefits over a 2 year period of 15.5%.
- Elimination of the requirement of a 75% vote of the employees of an employer to join OMERS where the employer has not continued to contribute to an approved plan.

The Government accepted the Board's recommendations and the Regulations issued under The OMERS Act were amended in 1972.

Also in 1971, the Board entered into a reciprocal agreement with Ontario to provide a new basis of transferring pension credits between OMERS and the Public Service Superannuation Fund (Ontario) for members who transfer their employment between Ontario and a participating employer of OMERS.

After a very thorough review of the supplementary benefit structure in 1971, the Board, early in 1972, adopted another type of supplementary benefit to be offered which is generally referred to as the updated pension.

## **Investments**

All monies available for investment under OMERS are invested with the Province of Ontario in accordance with The OMERS Act.

Effective January 1, 1970, the rate of interest on each yearly debenture will not be less than the weighted average yield to maturity of all the debentures and bonds issued or guaranteed by the Province during the year of issue plus  $\frac{1}{8}$  of 1%. The term of the debenture will be 20 to 30 years.

The debenture issued in respect of contributions made in 1971 was at the rate of 7.85% for 30 years.

## **Portability**

Portability is an important advantage of a multi-employer plan, such as OMERS, where an employee can move from one employer (municipality or local board participating in the System) to another employer in Ontario while remaining a member of the same pension plan. Changes of employment within this municipal framework do not disturb a member's earned pension entitlement. In 1971, 287 members took advantage of this feature of the Plan.

## Communications

As in previous years representatives of OMERS continued to visit the offices of many of the municipalities and local boards that were participating in the System to explain both the basic benefits and supplementary benefits under OMERS.

During the year, the Board prepared a memorandum describing supplementary pension benefits available from the System. This memorandum was sent to each employer and is available to any member on request.

Considerable time was spent on a further memorandum on supplementary benefits containing many details not covered in the original memorandum. This revised memorandum was sent out to each participating employer and other interested parties at the end of March in 1972.

## Acknowledgements

The Board wishes to express its sincere thanks to the officers of the participating employers throughout Ontario who were responsible for the day to day administration of the System in the municipalities and local boards. These officers continue to be a vital communication link between the System and its members.

The Board is also grateful to its officers, staff, actuary, solicitor and other advisors for their services rendered during the year 1971.

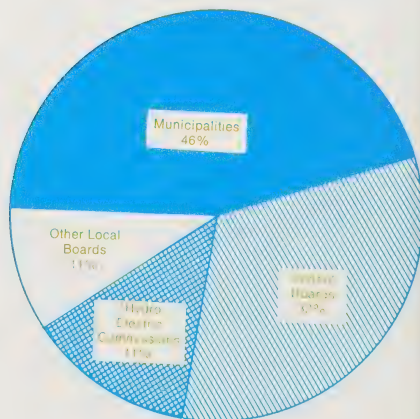
The Board also expresses its gratitude to the member and employee groups throughout Ontario for their assistance during 1971 in maintaining OMERS as a pension plan responsive to the needs of its members.





## Active Membership 1971

The active membership figures for 1971 show 46% of the contributing members to be municipal employees and 54% to be employees of local boards. These figures compare with 46% (municipal) and 55% (local boards) for 1970 and it is expected that these proportions will remain relatively constant in the future.



\*Includes Public Utilities Commissions

### Active Membership — 1971

	Municipalities	School Boards	*Hydro Electric Commissions	Other Local Boards	TOTAL
Active Members	33,074	23,062	8,168	8,355	72,659
Per Cent of Total	46	32	11	11	100
1970 Percentage Comparison	45	31	13	11	100

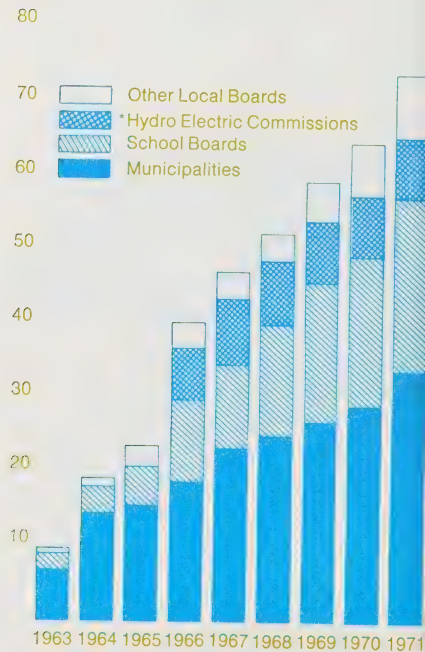
\* Includes Public Utilities Commissions

## The Growth of OMERS

### Active Members

There has been a relatively steady growth in the active membership of the System since 1966 and it is expected that future years will bring increases similar to 1971, of approximately 10% per annum.

Active Members (000's)



\*Includes Public Utilities Commissions

## Growth

### Active Members

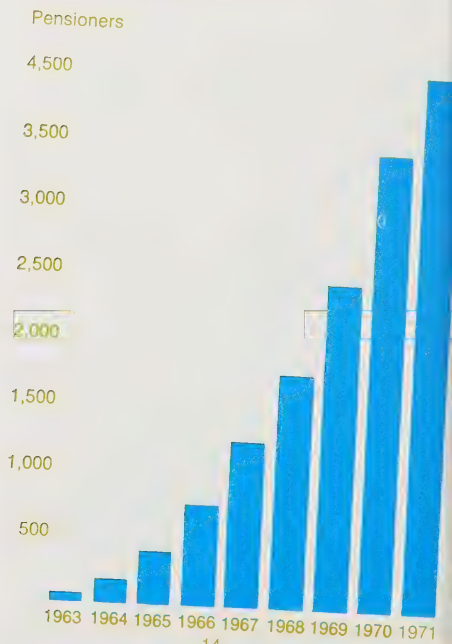
At Dec. 31	Municipalities	School Boards	*Hydro Electric Commissions	Other Local Boards	TOTAL
1963	6,720	2,030	—	1,090	9,840
1964	13,777	3,819	—	1,676	19,272
1965	16,325	5,420	—	2,173	23,918
1966	19,696	9,841	7,692	3,560	40,789
1967	22,702	11,998	8,188	4,166	47,054
1968	24,808	14,021	8,248	5,144	52,221
1969	27,134	17,507	8,425	6,197	59,263
1970	29,217	20,386	8,280	7,110	64,993
1971	33,074	23,062	8,168	8,355	72,659



## The Growth of OMERS

### Pensioners

While the membership continues to grow, the number of pensioners also increases. The table opposite shows the annual totals by pensioner type. The total pensioner figure for each year is also shown as a percentage of the total membership in order to demonstrate the faster rate of growth of pensioners compared to the rate of growth of the membership.



## Growth

### Pensioners

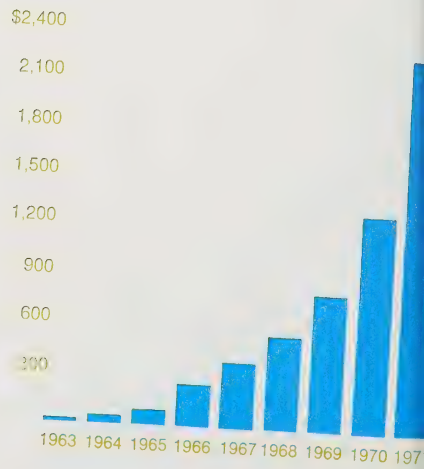
At Dec. 31	Normal Retirement	Disability Retirement	Early Retirement	Widows	Children	TOTAL	Per Cent of Total Membership
1963	19	1	1	1	—	19	0.19
1964	123	5	5	17	—	150	0.77
1965	330	13	8	40	—	391	1.59
1966	586	19	28	90	2	725	1.74
1967	941	44	60	167	2	1,214	2.49
1968	1,315	71	99	287	3	1,775	3.24
1969	1,815	102	129	426	4	2,476	3.95
1970	2,542	137	175	586	4	3,444	4.95

## The Growth of OMERS

### Pension Payments

The chart shows the rapid growth of total pension payments since the System's inception.

Pension Payments  
(000's)

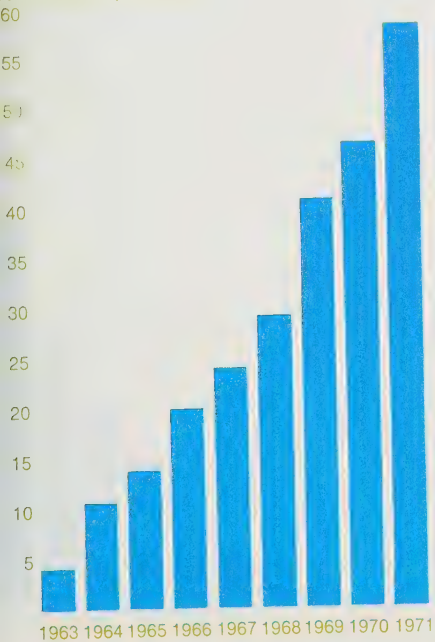


## The Growth of OMERS

### Contributions

Member and employer contributions, represented as combined totals on the chart, have shown a steady increase in volume in response to membership and wage increases.

Contributions (000,000's)

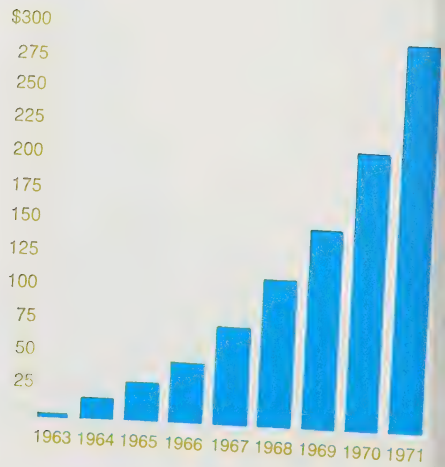


## The Growth of OMERS

### Assets

The growth of the System in general, and in particular the growth of the pension liability, requires a corresponding growth in assets. The chart readily shows that this has been the case.

Assets  
(000,000's)





## Auditors' Report to the Board

We have examined the balance sheet of The Ontario Municipal Employees Retirement Fund as at December 31, 1971 and the statement of reserves for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Fund as at December 31, 1971 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.,  
*Chartered Accountants*

Toronto, Canada, March 9, 1972

# **Financial Statements of the Ontario Municipal Employees Retirement Fund**

**Balance Sheet** as at December 31, 1971  
(with comparative figures for 1970)

Assets

Capital

Contingent liabilities

Accounts receivable

Investments (note 4 — page 23)

Facilities and Reserve

Grants - Ontario

Grants, interest and dividends

Accounts payable and accrued liabilities (note 4 — page 23)

Reserves —

General (notes 2 and 3 — pages 22 and 23)

Prior service and supplementary benefits (note 4 — page 23)

1970  
\$

132,978

1,111,535

121,831

211,600,000

516,500,644

—

—

2,454

13,453

12,177,495

—

191,264,806

1971

\$

201,503

5,311,365

19,519

286,839,909

282,618,422

—

—

2,689

14,738

20,533,023

—

195,614,287

16,027,400

with comparative figures for 1990		
Balance — beginning of the year .....	\$ 204,422,884	151,575,254
<b>Income</b>		
Net investment income .....	27,194,183	22,570,101
Employers' contributions .....	30,805,289	11,413,932
Interest earned .....	15,409,174	10,485,627
	<u>73,208,646</u>	<u>44,469,660</u>
	277,631,530	208,795,071
<b>Expenditures</b>		
Pension payments .....	2,116,535	1,276,088
Contributions refunded .....	2,833,492	2,771,759
Transfers to other pension plans .....	79,294	86,925
Administrative expenses less recoveries from trustee pension plans .....	<u>323,104</u>	<u>237,415</u>
	3,332,425	4,372,187
Balance — end of the year .....	<u>272,275,172</u>	<u>204,422,884</u>

## Notes to the Financial Statements

### For the year ended December 31, 1971

#### 1. Investments

The investments comprise:

- 5% Province of Ontario Debentures, due 1973
- 6½% Province of Ontario Debentures, due 1973
- 9.1% Province of Ontario Debentures, due 2000
- 7.85% Province of Ontario Debentures, due 2001

OMERS equity in investments	Amount held in investments	1971 Total	1970 Total
\$	\$	\$	\$
73,470,499	729,501	74,200,000	74,200,000
18,111,935	5,631,935	79,800,000	79,800,000
51,833,607	5,766,393	77,000,000	—
66,601,500	8,398,500	75,000,000	—
<u>190,017,541</u>	<u>20,526,329</u>	<u>286,600,000</u>	<u>211,600,000</u>

On December 31, 1973 the 5% and 6½% debentures are to be exchanged at par for debentures due 2013, bearing the same rates of interest, pursuant to the Ontario Municipal Employees Retirement System Act, 1961-1962 as amended.

#### 2. General Reserve

The general reserve comprises:

Operating Reserve

Investment Reserve

1971	1970
\$	\$
97,541,703	97,541,703
75,207,700	75,207,700

The actuaries of the Fund, the Wyatt Company, have reported that on the basis of a study as of December 31, 1970, the assets of the Fund were sufficient to provide for the payment of the benefits prescribed by the Regulation under the Act in respect of service and contributory earnings before December 31, 1970 of

employers participating in OMERS equal to the amount to be contributed by the members under Section 9 of the Regulation made pursuant to the Act will be sufficient to maintain the solvency of the Fund in the future.

#### 4. Prior Service and Supplementary Benefits Reserve

The prior service and supplementary benefits reserve comprises:

Members' prior service contributions plus interest  
Employers' prior service contributions plus interest  
Supplementary benefits contributions plus interest

1971	1970
\$	\$
3,435,231	3,387,171
3,458,946	3,419,755
9,753,218	6,358,342
16,647,451	13,185,273

Pursuant to Sections 21 and 23 of the Regulation to the Act any employer who is participating in OMERS may enter into a prior service agreement and, as a supplementary benefit agreement, with the Board to provide for the payment of such benefits. Under the terms of both types of agreements, the responsibility for funding benefits rests with the employer.



## Pension Benefits of OMERS

### Basic

**A normal retirement pension** based on earnings while a member of the System.

**A total and permanent disability retirement pension** after 10 years of municipal service.

**A pension to a widow, a widower, or child of member.**

**A deferred pension**, payable at normal retirement age, if a member ceases to be employed before his normal retirement date.

**An early retirement pension**, commencing within the 10 year period before normal retirement age.

**An optional pension** to provide a level retirement income when combined with the Canada Pension Plan or Old Age Security pensions.

**A refund of the contributions of a member**, plus interest, if the member terminates his employment, subject to age and service limitations.

### Other

**Prior service pensions** which are related to service before an employer participated in OMERS.

**Supplementary pension benefits** which are pension benefits in addition to the above basic pension benefits.

A booklet, giving a detailed description of the basic pension benefits, may be obtained from any OMERS employer.



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**The Honourable  
William G. Davis, Q.C.**

*Prime Minister of Ontario*

**The Honourable  
John H. White**

*Treasurer of Ontario and  
Minister of Economics and  
Intergovernmental Affairs.*

**The Honourable John H. White**

*Treasurer of Ontario and  
Minister of Economics and Intergovernmental Affairs*

I am pleased to present to you the Eleventh Annual  
Report on the affairs of the Ontario Municipal  
Employees Retirement System for the year ended  
December 31, 1972.

*June 1, 1973*

**J. M. McLeish, Chairman**  
*Ontario Municipal Employees  
Retirement Board*



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## The Ontario Municipal Employees Retirement Board

as at December 31, 1972

Chairman  
Mrs. Anne H. Jones  
*Controller, Hamilton*

Vice-Chairman  
Mr. J. M. McLeish  
*Housing Standards  
Officer, London*

### Members

Mr. R. F. Bevan  
*Staff Inspector  
Niagara Region Police  
Force, St. Catharines*

Mr. E. Lumley  
*Mayor  
Cornwall*

Mr. L. D. Groombridge  
*Manager and Treasurer,  
Chatham*

Mr. A. W. Reeve  
*Director, Municipal  
Finance Branch,  
Ministry of Treasury,  
Economics and Intergovern-  
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*Director, School Business  
Administration Branch,  
Ministry of Education,  
Toronto*

Mr. P. Hickey  
*Ministry of Treasury,  
Economics and Intergovern-  
mental Affairs,  
Toronto*

Mr. E. Hothersall  
*Secretary-Treasurer  
Ontario Professional Fire  
Fighters' Association, Toronto*

Mr. R. M. Warren  
*Deputy Solicitor General,  
Ministry of the Solicitor  
General, Toronto*

\* \* \* \*

Executive Director  
Mr. D. W. Barron

Financial Advisor  
Mr. P. Hickey, F.C.A.

Actuaries  
*The Wyatt Company*

Legal Counsel  
*Miss S. J. Wychowanec, Q.C.*

Auditors  
*McDonald Currie & Co.*

Medical Advisor  
*Dr. R. G. McKenzie*

## Introduction

This, the eleventh Annual Report on the Ontario Municipal Employees Retirement System, represents the end of ten years of continuous operation. Although actual participation in the System did not commence until January, 1963, the first Annual Report for 1962 did outline those measures that had been taken in the establishment of OMERS.

At this time, therefore, it is felt worthwhile to review the significant developments, growth and communication of OMERS during its last ten years.

## Significant Developments

**1962** The Ontario Municipal Employees Retirement System Act was given Royal Assent on April 18 and the first Regulation thereunder was filed on July 4.

Between September and December, officers and staff were employed to administer the System.

**1963** Participation by municipalities and local boards in OMERS commenced on January 1.

**1965** Regardless of the cash refund option for an employee who terminated his service for reasons other than retirement or death, a member's pension contributions made after January 1, 1965 were locked in to provide a pension at normal retirement age, as required under The Pension Benefits Act, Ontario, if, on termination of service, the member had accumulated ten years of service and was over 45 years of age.

**1966** Employees of Public Utility and Hydro Electric Commissions became members of OMERS, effective January 1, 1966.

Also, the benefit and contribution rates under OMERS were integrated with the Canada Pension Plan effective January 1.

**1967** OMERS introduced supplementary benefits, that is, pension benefits in addition to the basic benefits of OMERS allowing the System to meet special pension requirements of individual employers of various classes of municipal employees.

**1968** On January 1, the responsibility for the management and administration of OMERS was transferred from the Minister of Municipal Affairs to an eleven member Board representing the municipalities, their local boards, the members of the System and the Province of Ontario.

The rate of interest on OMERS' Funds invested in Province of Ontario debentures was increased from 5% to 6½%, effective January 1.

Also, the pension formula for pension earned after January 1, 1968 was increased by 10%.

**1970** Effective January 1, 1970, OMERS was allowed an improved basis for investing funds of the System with the Province. This improvement provided that all moneys available for investment would be turned over to the Province each year in exchange for a debenture of which the rate of interest would be the weighted average yield of interest of all the debentures issued or guaranteed by the Province during the year of issue.

Also during this year, a widower became eligible for a pension under OMERS if, upon the death of his wife, she was a member of OMERS and he was totally and permanently disabled and mainly dependent upon her for support. Furthermore, pension payments payable to children under OMERS were extended from age 18 to age 21 if the child or children are attending an educational institution, determined by the Board, on a full time basis.

**1971** As of January 1, 1971, all basic pensions earned to December 31, 1970 under OMERS by contributing members and terminated members who elected deferred pensions as well as the basic pensions being paid to members, widows, widowers and children from OMERS as of that date was increased by 10%.

**1972** In 1972, the following changes were made:

- (i) an improvement in the basic pension of 5% at December 31, 1971 similar to the 10% pension improvement in 1971;
- (ii) an improvement in the widow's pension to 50% of a member's earned pension plus 10% of the member's earned pension for each child of the member under the age of 18 or 21 years if attending an educational institution on a full-time basis (maximum widow's pension — 75% of the member's earned pension);
- (iii) the elimination of the requirement of a 75% vote of the employees of an employer to join OMERS where the employer has not continued to contribute to an approved plan, and
- (iv) the membership of councillors in OMERS.

## Growth

Prior to the inception of OMERS, most of the municipalities and their local boards in the Province did not provide pensions for the retirement of their employees. Those municipalities that did offer pension benefits under separate municipal plans provided only minimal pension coverage for their employees. As a result, when OMERS was first established, it was widely accepted immediately and has grown extremely rapidly over the past ten years.

Detail of this rapid growth is evident from the graphs and charts on pages 8 to 17 inclusive. With 895 employers now participating in OMERS, it is perhaps significant to look at the stark contrast between the statistical data for 1963 and that for 1972.

	1963	1972
Active members as at December 31 .....	9,840	77,258
Pensioners as at December 31 .....	19	5,663
Pension payments during year .....	\$ 1,855	\$ 3,194,660
Contributions during year .....	\$ 4,917,655	\$ 70,024,909
Assets as at December 31 .....	\$ 4,837,382	\$ 385,774,992

The rapid rate of growth appears now to be levelling off as OMERS continues to fulfill the need for which it was established.

## Communication

In recognition of the fact that it is important for all members to fully understand the operation of OMERS and the various benefits available, OMERS has been endeavouring to achieve an effective communications program over the last ten years.

OMERS' representatives visit municipalities and local boards throughout the Province in order to discuss the System with members and employers. Also, many participants in the System visit the offices of OMERS to receive guidance on both the basic benefits and the supplementary benefits available.

Representatives from OMERS are called upon periodically to speak at seminars and to participate in conferences at which discussion time is devoted to pension plans in general. Also from time to time, the Board meets delegations representing members' groups to consider their suggestions and recommendations concerning OMERS.

Since it is essential that a pension fund be responsive to the needs of its members, OMERS will continue in the future to meet this requirement through personal contact with both members and employers.

## The System in Brief

As at December 31, 1972, the System provides:

- A basic pension benefit in respect of the contributory earnings of each member after his enrolment in the System. Basic pension benefits are calculated at a uniform rate for all members and contributions are made on a dollar for dollar basis by the members and their employers.
- A prior service pension benefit in respect of service before the employer commenced to participate in the System to permit the employer to wind up an existing pension plan by transferring the assets to OMERS.
- A supplementary pension benefit in respect of future service or future and past service of the members.

Supplementary pension benefits are optional and are provided by agreement between the employer and the Board. These agreements were designed to permit an employer to improve the amount of pension otherwise payable to his employees. For example, a supplementary agreement may provide for the payment of a pension based on the member's service and the average of his best 60 consecutive months' earnings.

The costs under a prior service or supplementary agreement depend on the amount of benefit required to be provided under the agreement and the responsibility for payment of the cost rests with the employer and the members under the agreement.

## Acknowledgements

Throughout its ten years of operation, OMERS has been increasingly gratified with the acceptance the municipalities and local boards of the Province have demonstrated for the System. The success of OMERS is directly attributable to the fact that so many municipalities and local boards have elected to participate in the System.

The Board members sincerely appreciate the efforts of the officers of the participating employers throughout Ontario who are responsible for the administration of the System in the municipalities and local boards.

The Board also wishes to thank Mr. W. Darcy McKeough and Mr. Charles MacNaughton for their assistance and guidance during their respective terms as Treasurer of Ontario and Minister of Economics and Intergovernmental Affairs in 1972.

Finally, for services rendered during the year 1972, the Board is grateful to its officers, staff, actuary, solicitor and other advisors.

## Active Membership 1972

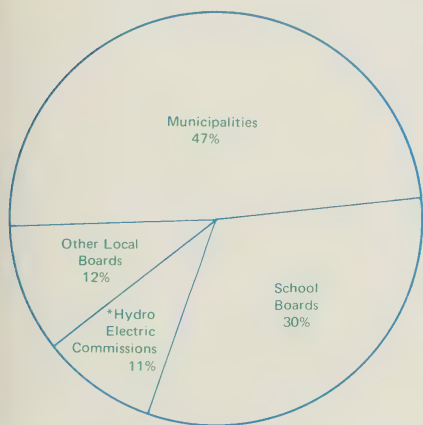
	Municipalities	School Boards	*Hydro Electric Commissions	Other Local Boards	TOTAL
Active Members	36,293	23,533	8,122	9,310	77,258
Per Cent of Total	47	30	11	12	100
1971 Percentage Comparison	46	32	11	11	100

\*Includes Public Utilities Commissions



## Active Membership 1972

The active membership figures for 1972 show 47% of the contributing members to be municipal employees and 53% to be employees of local boards. These figures compare with 46% (municipal) and 54% (local board) for 1971 and it is expected that these proportions will remain relatively constant in the future.



\*Includes Public Utilities Commissions

# **Growth** Active Members

At Dec. 31	Municipalities	School Boards	*Hydro Electric Commissions	Other Local Boards	TOTAL
1963	6,720	2,030	—	1,090	9,840
1964	13,777	3,819	—	1,676	19,272
1965	16,325	5,420	—	2,173	23,918
1966	19,696	9,841	7,692	3,560	40,789
1967	22,702	11,998	8,188	4,166	47,054
1968	24,808	14,021	8,248	5,144	52,221
1969	27,134	17,507	8,425	6,197	59,263
1970	29,217	20,386	8,280	7,110	64,993
1971	33,074	23,062	8,168	8,355	72,659
1972	36,293	23,533	8,122	9,310	77,258

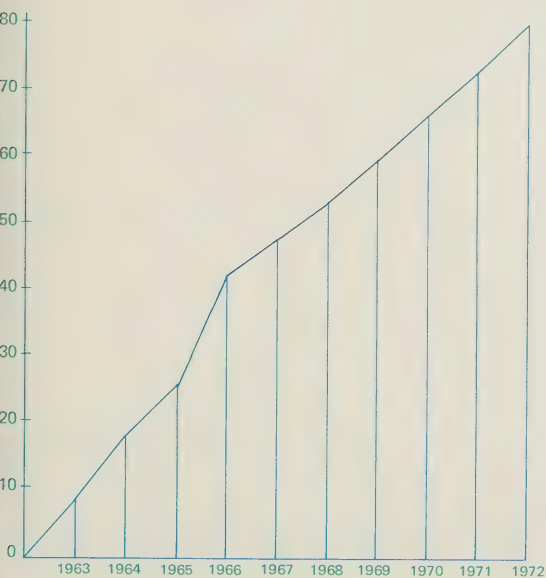
\*Includes Public Utilities Commissions

# The Growth of OMERS

## Active Members

There has been a relatively steady growth in the active membership of the System since 1966 and it is expected that future years will bring increases similar to 1972, of approximately 10% per annum.

Active Members (000's)



## Growth

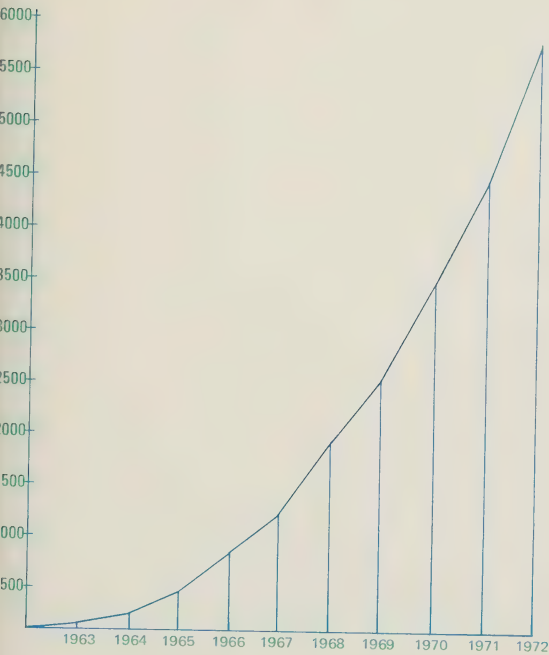
Pensioners

At Dec. 31	Normal Retirement	Disability Retirement	Early Retirement	Widows	Children	TOTAL	Per Cent of Active Membership
1963	16	1	1	1	—	19	0.19
1964	123	5	5	17	—	150	0.78
1965	330	13	8	40	—	391	1.64
1966	586	19	28	90	2	725	1.78
1967	941	44	60	167	2	1,214	2.58
1968	1,315	71	99	287	3	1,775	3.40
1969	1,815	102	129	426	4	2,476	4.18
1970	2,542	137	175	586	4	3,444	5.30
1971	3,306	189	240	756	11	4,502	6.20
1972	4,069	257	358	955	24	5,663	7.33

# The Growth of OMERS

## Pensioners

While the membership continues to grow, the number of pensioners also increases. The table opposite shows the annual totals by pension type.

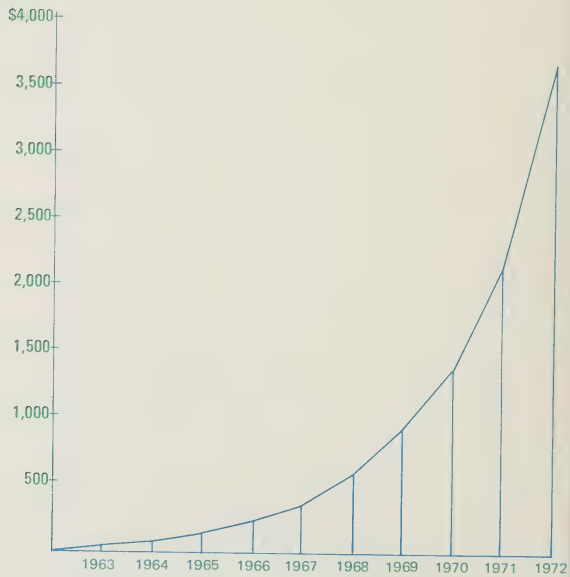


## The Growth of OMERS

### Pension Payments

The graph shows the rapid growth of total pension payments since the System's inception.

Pension Payments (000's)

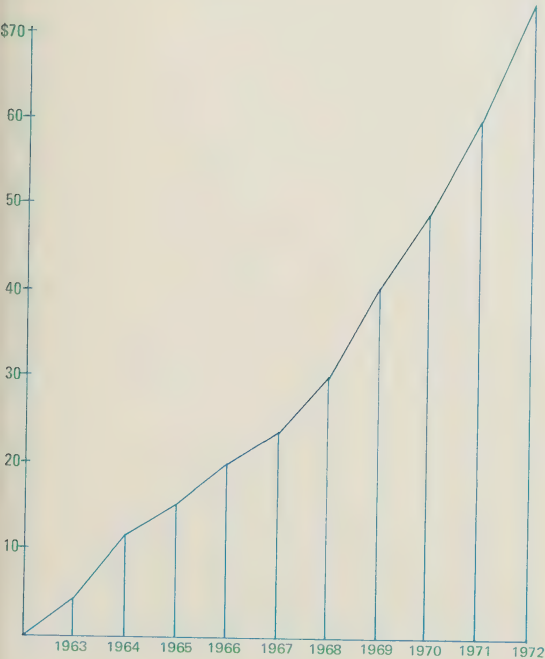


# The Growth of OMERS

## Contributions

Member and employer contributions, represented as combined totals on the graph, have shown a steady increase in volume in response to membership and wage increases.

Contributions (000,000's)



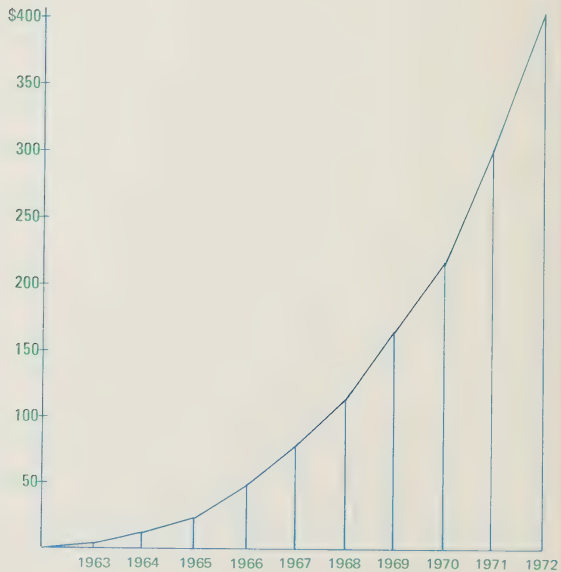


## The Growth of OMERS

### Assets

The growth of the System in general, and in particular the growth of the pension liability, requires a corresponding growth in assets. The graph readily shows that this has been the case.

Assets (000,000's)



---

## Activity in the System During 1972

New Enrolments	11,908
----------------	--------

### Pensioners:

Members	949
Widows	199
Children	13

### Transfers:

Within OMERS	281
To Other Plans	492

### Terminations:

Deferred Pensions	837
Refunds	5,411
Locked In	16

### Death of Members:

Before Retirement	271
After Retirement	166

## Auditors' Report

### Ontario Municipal Employees Retirement Board

We have examined the balance sheet of the Ontario Municipal Employees Retirement Fund as at December 31, 1972 and the statement of reserves for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Fund as at December 31, 1972 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.,  
*Chartered Accountants*

Toronto, Canada, March 2, 1973

## Actuarial Certificate

### Ontario Municipal Employees Retirement Fund

Pursuant to Section 6 of The Ontario Municipal Employees Retirement System Act we have made an actuarial valuation of the assets and liabilities of the Fund as of December 31, 1971.

We are pleased to report that in our opinion,

- (a) the assets of the Fund at December 31, 1971 held for the payment of benefits in respect of the contributory earnings of the members before December 31, 1971 are sufficient to provide for the payment of such benefits, and
- (b) contributions by employers in the year 1972 calculated in accordance with the rates fixed by the Board under Section 10 (1)(a) of the Regulation made under the Act, together with the contributions required to be made by the members in the year under Section 9 of the Regulation, are sufficient to provide for payment of the benefits under the Regulation in respect of the contributory earnings of the members in the year 1972.

Respectfully submitted,

THE WYATT COMPANY,

R.A. Field, F.S.A.,

*Fellow, Canadian Institute of Actuaries.*

Toronto, Canada, February 28, 1973

# Financial Statements of the Ontario Municipal Employees Retirement Fund

Balance Sheet as at December 31, 1972  
(with comparative figures for 1971)

	1972 \$	1971 \$
<b>Assets</b>		
Cash .....	183,978	224,509
Contributions receivable .....	7,580,699	5,914,386
Accounts Receivable .....	110,315	79,529
Investments — at cost (note 1) .....	377,900,000	286,600,000
	<u>385,774,992</u>	<u>292,818,424</u>
<b>Liabilities and Reserves</b>		
Benefits payable .....	7,196	2,689
Accounts payable and accruals .....	50,388	14,234
Amounts held in trust for other pension funds (note 1) .....	<u>31,519,615</u>	<u>20,526,329</u>
<b>Reserves</b>		
General (notes 2 and 3) .....	331,753,953	255,627,687
Prior service and supplementary benefits (note 4) .....	<u>22,443,840</u>	<u>16,647,485</u>
	354,197,793	272,275,172
	<u>385,774,992</u>	<u>292,818,424</u>

# Statement of Reserves for the year ended December 31, 1972

(with comparative figures for 1971)

	1972	1971
	\$	\$
Balance — beginning of year . . . . .	272,275,172	204,422,884
Increase in Reserves		
Members' contributions . . . . .	32,326,969	27,190,158
Employers' contributions . . . . .	37,697,940	30,605,289
Interest earned . . . . .	21,085,479	15,409,174
	<u>91,110,388</u>	<u>73,204,621</u>
	363,385,560	277,627,505
Decrease in Reserves		
Pension payments . . . . .	3,194,660	2,116,535
Contributions refunded . . . . .	3,840,059	2,833,400
Transfers to other pension plans . . . . .	1,712,434	79,294
Administrative expenses less recoveries from trustee pension plans . . . . .	<u>440,614</u>	<u>323,104</u>
	9,187,767	5,352,333
Balance — end of year . . . . .	<u>354,197,793</u>	<u>272,275,172</u>

## Notes to the Financial Statements

### For the year ended December 31, 1972

#### 1. Investments

These comprise:

	OMERS equity in investments	Amounts held in trust	Total 1972	Total 1971
	\$	\$	\$	\$
5% Province of Ontario Debentures, due 1973	73,470,499	729,501	74,200,000	74,200,000
6½% Province of Ontario Debentures, due 1973	74,168,065	5,631,935	79,800,000	79,800,000
9.1% Province of Ontario Debenture, due 2000	51,833,607	5,766,393	57,600,000	57,600,000
7.85% Province of Ontario Debenture, due 2001	66,601,500	8,398,500	75,000,000	75,000,000
8.02% Province of Ontario Debenture, due 2002	80,306,714	10,993,286	91,300,000	—
	<u>346,380,385</u>	<u>31,519,615</u>	<u>377,900,000</u>	<u>286,600,000</u>

On December 31, 1973, the 5% and 6½% debentures are to be exchanged at par for debentures, due 2013, bearing the same rates of interest, pursuant to The Ontario Municipal Employees Retirement System Act, R.S.O. 1970

#### 2. General Reserve

The general reserve comprises:

	1972	1971
	\$	\$
Operating reserve	209,429,575	158,085,984
Members' current service contributions	<u>122,324,378</u>	<u>97,541,703</u>
	<u>331,753,953</u>	<u>255,627,687</u>



3. Actuarial Certificate

The actuaries of the Fund, The Wyatt Company, have issued their certificate dated February 28, 1973 which is on Page 19 and forms an integral part of these financial statements.

4. Prior Service and Supplementary Benefits Reserve

The prior service and supplementary benefits reserve comprises:

Members' prior service contributions plus interest	1972	1971
Employers' prior service contributions plus interest	\$ 3,438,608	\$ 3,435,281
Supplementary benefits contributions plus interest	3,483,765	3,458,986
	15,521,467	9,753,218
	<u>22,443,840</u>	<u>16,647,485</u>

Pursuant to Sections 21 and 23 of the Regulation to the Act any employer who is participating in OMERS may enter into a prior service agreement and/or a supplementary benefits agreement with the Board to provide for the payment of such benefits. Under the terms of both types of agreements, the responsibility for funding benefits rests with the employer.

## Pension Benefits of OMERS

### Basic

**A normal retirement pension** based on earnings while a member of the System.

**A total and permanent disability retirement pension** after 10 years of municipal service.

**A pension to a widow, a widower, or a child of a member.**

**A deferred pension**, payable at normal retirement age, if a member ceases to be employed before his normal retirement date.

**An early retirement pension**, commencing within the 10 year period before normal retirement age.

**An optional pension** to provide a level retirement income when combined with the Canada Pension Plan or Old Age Security pensions.

**A refund of the contributions of a member**, plus interest, if the member terminates his employment, subject to age and service limitations.

### Other

**Prior service pensions** which are related to service before an employer participated in OMERS.

**Supplementary pension benefits** which are pension benefits in addition to the above basic pension benefits.

\* \* \* \*

A booklet on either the basic pension benefits or on supplementary pension benefits is available from any OMERS employer in both French and English.



OMERS

1972





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Feb 1973

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ONTARIO  
MUNICIPAL  
EMPLOYEES  
RETIREMENT  
SYSTEM  
ANNUAL REPORT

1973





ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

T W E L F T H   A N N U A L   R E P O R T

1973





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Schedule 2	9 Year Review of Financial and Other Data for the years 1965 to 1973 inclusive - Administered Plans
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ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

as at December 31, 1973

CHAIRMAN

John M. McLeish  
Director of Housing &  
Area Rehabilitation  
Middlesex-London District  
Health Unit  
London, Ontario.

VICE CHAIRMAN

Lloyd D. Groombridge  
City Manager & Treasurer  
Chatham, Ontario

MEMBERS

Ronald F. Bevan  
Staff Inspector of  
Administration  
Niagara Regional Police Force  
St. Catharines, Ontario

Edward Hothersall  
Secretary-Treasurer  
Ontario Professional  
Fire Fighters Association

Carl E. Brannan  
Deputy Solicitor General  
Ministry of the Solicitor General

Edward C. Lumley  
Mayor  
Cornwall, Ontario

Hugh L. Harris  
General Manager  
Sault Ste. Marie Public  
Utilities Commission  
Sault Ste. Marie, Ontario.

Allan W. Reeve  
Director  
Municipal Finance Branch  
Ministry of Treasury, Economics  
& Intergovernmental Affairs

Paul Hickey  
Senior Policy Advisor, Finance  
Ministry of Treasury, Economics  
& Intergovernmental Affairs

G. Douglas Spry  
Director  
School Business & Finance Branch  
Ministry of Education

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Notes:

1. Anne H. Jones, Controller, Hamilton, resigned August 15, 1973.
2. R. Michael Warren, Deputy Solicitor General, Ministry of the Solicitor General, resigned December 20, 1973.





## OFFICERS AND ADVISORS

Donald W. Barron  
Executive Director

Gerald A. Tyson  
Director of Finance

Frederick W. Martin  
Director of Member-Employer  
Relations

Vacant  
Director of Research &  
Development

The Wyatt Company  
Actuaries

Coopers & Lybrand  
Auditors

Paul Hickey, F.C.A.  
Financial Advisor

Stephanie J. Wychowanec, Q.C.  
Legal Advisor

Dr. Ross G. MacKenzie  
Medical Advisor



# HIGHLIGHTS OF THE YEAR 1973

## Ontario Municipal Employees Retirement Fund

	<u>1973</u> <sup>(1)</sup>	<u>1972</u> <sup>(1)</sup>	<u>% Increase</u>
Contributions	\$ 84,676	\$ 70,025	20.9
Interest earned	40,171 <sup>(2)</sup>	23,004	74.6
Rate of interest earned	7.74%	7.72%	.3
Pensions paid	4,612	3,195	44.4
Administrative expenditures	606	542	11.8
Investments	503,000	377,900	33.1
Members* (active and inactive)	86,575	79,365	9.1
Pensioners*	6,908	5,663	22.0
Employers*	918	895	2.6

## Administered Pension Funds

	<u>1973</u> <sup>(1)</sup>	<u>1972</u> <sup>(1)</sup>	<u>% Increase</u>
Contributions	\$ 11,801	\$ 10,184	15.9
Interest credited	3,262 <sup>(2)</sup>	1,918	70.1
Rate of interest credited	7.74%	7.72%	.3
Pensions paid	88	70	25.7
Administrative expenditures	123	108	13.9
Deposits with the Board	44,839	31,520	42.3
Members*	10,955	9,103	20.3
Pensioners*	115	89	29.2

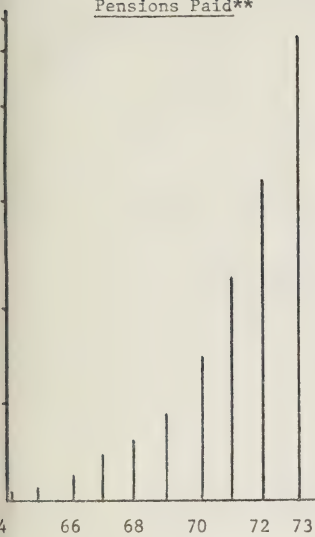
1. In thousands of dollars, except where noted by an asterisk.

2. Including special adjustments.

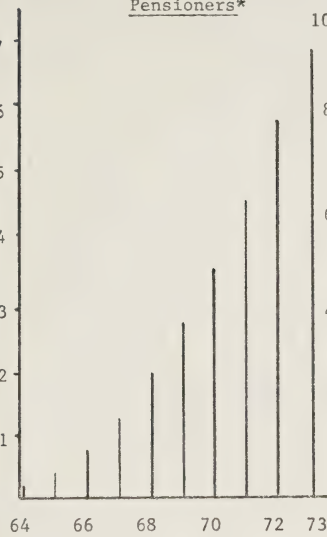


# GROWTH OF OMERS 1964 - 1973

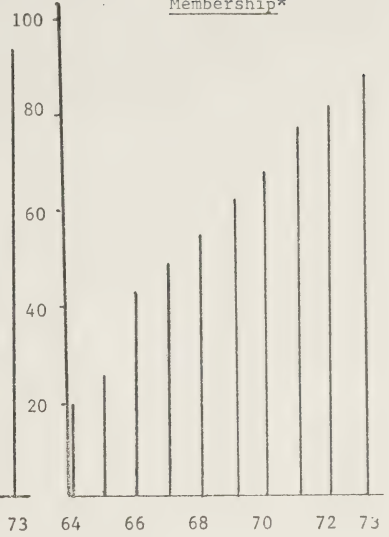
Pensions Paid\*\*



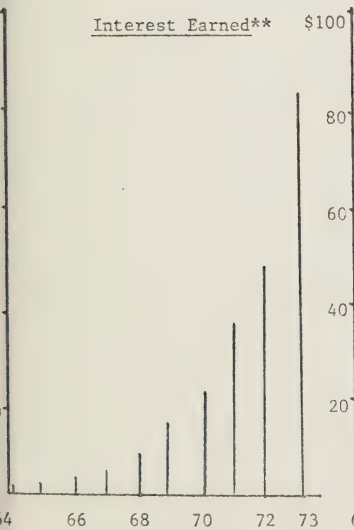
Pensioners\*



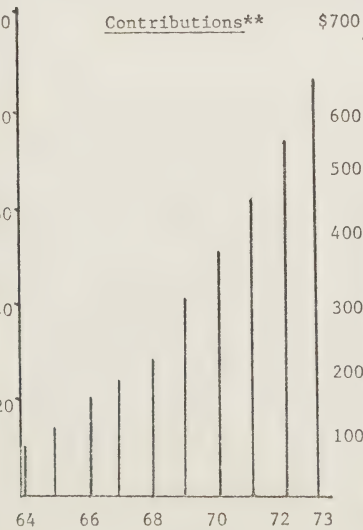
Membership\*



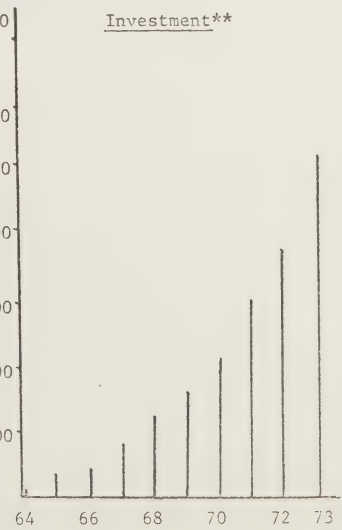
Interest Earned\*\*



Contributions\*\*



Investment\*\*



\* Thousands  
\*\* Millions





**ONTARIO MUNICIPAL EMPLOYEES  
RETIREMENT BOARD**

2 CARLTON STREET, TORONTO, ONTARIO M5B 1J4

Telephone 366-7923 (Area Code 416)

To The Honourable John White

Treasurer of Ontario and  
Minister of Economics and  
Intergovernmental Affairs

TWELFTH ANNUAL REPORT  
1973

Dear Mr. Minister:

On behalf of the members of the Board, I am pleased to present to you the Twelfth Annual Report of the Ontario Municipal Employees Retirement Board for the year ended December 31, 1973.

INTRODUCTION

The Ontario Municipal Employees Retirement System was established in 1962 by The Ontario Municipal Employees Retirement System Act 1961-62. This, the Twelfth Annual Report represents the end of eleven years of continuous operation. Although actual participation in the System did not commence until January 1963, the First Annual Report for 1962 did outline those measures that had been taken in the establishment of OMERS.





The Ontario Municipal Employees Retirement Board is responsible for the management and administration of the System which provides pension benefits for the employees and councillors of many municipalities in Ontario, and for the employees of numerous local boards throughout Ontario. In addition, the Board is responsible for the administration of the pension funds of a number of Ontario's post-secondary educational institutions, namely, the twenty-two Colleges of Applied Arts and Technology, the Ryerson Polytechnical Institute and the Elliot Lake Centre for Continuing Education.

OMERS provides a basic pension benefit in respect of the contributory earnings of each member after his enrolment in the System. Basic pension benefits are calculated at a uniform rate for all members and contributions are made on a dollar for dollar basis by the members and their employers.

Among the benefits provided under the basic plan are:

1. A monthly pension for life when the member reaches his normal retirement age;
2. Optional early retirement;
3. A disability pension;
4. A widow's pension;
5. A dependant widower's pension;
6. A deferred pension or a refund of contributions on termination of employment.



In addition, optional supplementary benefits may be provided by agreement between an employer and the Board. These agreements are designed to permit an employer to improve the amount of pension otherwise payable to his employees. Supplementary Agreements may include:

1. A final average earnings pension  
based on a member's actual earnings  
during the sixty consecutive months  
when his earnings were highest;
2. An increased pension for past service up  
to a specified date;
3. An unreduced pension payable on early  
retirement.

The cost of providing the benefit requested under a Supplementary Agreement depends on the amount of benefit required to be provided under the Agreement and the responsibility for the payment of the cost rests with the employer and members who are parties to the Agreement.

I THE MAJOR ISSUES AND PROBLEMS CONSIDERED BY THE BOARD

A. INVESTMENT POLICY

The most significant issue considered by the Board in 1973 was OMERS' investment policy. Under review was not only OMERS' general investment policy, but also the \$154,000,000 5% and 6½% debentures



issued by Ontario to the Board during the years 1963 to 1969 inclusive, which were to be exchanged on December 31, 1973 for an equal amount of debentures at the same rates of interest due and payable in the year 2013.

With regard to OMERS' general investment policy, the Board submitted a Report, dated August 9, 1973, to the Minister re-affirming the position it took in 1970 that The Ontario Municipal Employees Retirement System Act be amended to permit OMERS to invest its funds in securities available to other pension funds in Ontario as authorized by The Pension Benefits Act, (Ontario).

The Board held three meetings with the Minister to discuss OMERS' general investment policy, the exchange of the \$154,000,000 5% and 6½% debentures issued by Ontario to the Board during the years 1963 to 1969 inclusive, and the formation of a Study Group to study OMERS' general investment policy.

The result of these meetings was that it was agreed by the Minister and the Board that a Study Group be appointed by the Minister to review and make recommendations on OMERS' general investment policy. The Study Group was to consist of two senior officials of the Ministry of Treasury, Economics and Intergovernmental Affairs appointed by the Minister, two members of the Board of OMERS and a Chairman to be appointed by the Minister.

It was agreed that the cost of the Study Group be borne by the Board of OMERS.



The Minister subsequently appointed Paul Hickey, Esq., Chairman of the Study Group and Messrs. D.S. McColl and A. W. Reeve as the Ministry's representatives. The Board appointed Messrs. E.C. Lumley and E. Hothersall as its representatives.

A further result of these meetings was that the Minister informed the Board of his decision regarding the \$154,000,000 5% and 6½% debentures issued by Ontario to the Board of OMERS during the years 1963 to 1969 inclusive. It was decided to exchange these debentures for equal amounts of debentures with interest rates the same as the weighted average yield of Ontario debentures issued or guaranteed by the Province in the years in which the debentures were issued, plus 1/8th of 1%, ranging from 5.49% to 8.19% for terms of 30 years from the original dates of issue.

#### B. BENEFIT STRUCTURE

Two significant reports were submitted to the Board by the Actuary on the benefit structure of OMERS. Both reports were sent to the Minister along with the Board's recommendations on OMERS' investment policy.

The first report, entitled "Report on Benefit Improvements from an Increased Yield on the 5% and 6½% Debentures Issued Before 1970" dated July 13, 1973, dealt with the possible improvements in basic pension benefits that could be made if the interest rates on the \$154,000,000 5% and 6½% Ontario debentures could be improved.





The second report, entitled "Report on the Feasibility of Providing Basic Pensions on Final Average Earnings under the Ontario Municipal Employees Retirement System" dated October 16, 1973, was concerned with all aspects of the implications of a final average earnings plan for OMERS.

Both of these reports were submitted to the Minister for his information. No recommendations were made at that time by the Board to the Minister.

C. ADMINISTRATION AND OTHER MATTERS

To cope with the ever increasing growth of OMERS, the Board appointed a number of Committees from among its members to look into a variety of matters of concern to it.

1. A Committee was established to study the duties and responsibilities of the Research and Development Section. The Committee's Report was submitted to the Board and adopted.
2. A Committee was appointed to investigate the duties and responsibilities of the Chairman and the Vice-Chairman. The Board adopted the Committee's Report.
3. A Committee was established to examine the format of the Executive Director's Report to the Board.
4. A Committee was set up to plan a Seminar on OMERS. The report of this Committee is expected in 1974.



5. A Committee was appointed to report on the feasibility of holding meetings with representatives of the major employer and employee associations and unions representing members of OMERS.

During the year the Minister initiated discussions with the Board with regard to its composition. As at December 31, 1973 no decision had yet been taken as to the different composition for the Board of OMERS.

## II THE ACT AND REGULATIONS

### A. THE ACT

As a result of discussions between the Minister and the Board, as well as suggestions contained in briefs and letters received from a number of employer and employee associations in Ontario, The Ontario Municipal Employees Retirement System Act was amended to improve the rates of interest on the \$154,000,000 5% and 6½% Ontario debentures issued to the Board during the years 1963 to 1969 inclusive.

Upon the recommendation of the Board, the Act was further amended to provide that the Province of Ontario is a participating employer for members of OMERS who became employed by the Province of Ontario and who are not eligible to join the Public Service Superannuation Fund (Ontario) or the Teachers' Superannuation Plan.



These members will continue to contribute to OMERS while employed by the Province of Ontario, and the province will pay the employers share on behalf of these members.

B. THE REGULATIONS

The Board made several recommendations to the Minister during the year concerning the contribution and benefit structure of OMERS, and the following changes were made to the Regulations:

- (a) The method of calculating the special rate payable by an employer under section 10 was revised.
- (b) An improvement in the basic pension of 5% at December 31, 1972, was made, similar to the 5% pension improvement at December 31, 1971 and the 10% pension improvement at December 31, 1970. This applied to all active members, members who have elected a deferred pension and pensioners.
- (c) The commencement date of the total and permanent disability pension was changed to the first of the month following the member's termination of service.



- (d) The restriction on entitlement to a widow's or dependant widower's pension where the member and spouse were married on or after the member's 60th birthday was removed.
- (e) An employer who had elected to participate in the System was permitted to improve the pension payable to a retired employee, widower, widow or child, as the case may be, the cost of the improved pension being determined by the Board on the advice of the Board's Actuary.
- (f) Transfers of pension credits to and from the fund to and from other government funds in other provinces of Canada were permitted.
- (g) The Board of OMERS was permitted to enter into reciprocal agreements for the transfer of pension credits with the Boards of Governors of Colleges of Applied Arts and Technology, the Boards of Governors of Ryerson Polytechnical Institute and the Elliot Lake Centre for Continuing Education.

### III FINANCE

#### A. FINANCE - OMERS

Schedule 1 presents a ten year review of financial and other data for the System for the years 1964 - 1973 inclusive.





The audited financial statements for the year 1973 are included in this Report. Highlights of these statements are set out below.

- (a) The investments were increased by \$125,100,000 bringing the total investment portfolio to \$503,000,000. In 1973 the investment was in Province of Ontario debentures bearing an interest rate of 8.15%, for a term of twenty years agreed to by the Board, and the Treasurer of Ontario. The \$503,000,000 includes deposits held in trust for the Administered Plans totalling \$44,839,315. Of particular interest in this area was the decision of the Ontario Legislature to amend the interest rates on those debentures issued prior to 1970. The new rates are calculated on the same basis that applied to current investments and in each case are higher than the original rates. A special interest payment of \$9,045,170, being an adjustment of interest paid in respect of the aforementioned debentures, was received from the Province in 1973, retroactive to the dates of issue.
- (b) The contribution income for 1973 as compared with 1972 was as follows:



	<u>1972</u>	<u>1973</u>	% Increase (Decrease)
Basic	\$ 62,765,698	\$ 72,644,722	15.7
Prior Service	382,957	322,597	(15.8)
Supplementary	<u>6,876,254</u>	<u>11,708,592</u>	70.3
	<u>\$ 70,024,909</u>	<u>\$ 84,675,911</u>	20.9

The 70.3% increase in supplementary contributions reflects the continued growth in this area. A total of 56 new agreements were finalized for the year 1973. Further details concerning the agreements are contained in the section of this Report dealing with Member-Employer Relations.

- (c) Pension payments in 1973 were \$4,611,866 as compared with \$3,194,660 in 1972, an increase of 44.4%. This reflects the effects of the increased number of pensioners, the 5% increase in the basic pension approved by the Board in 1973 for pension earned up to December 31, 1972, and the higher level of pensions earned under Supplementary Agreements.
- (d) In 1973 refunds of member contributions with interest rose to \$5,120,483 from \$3,840,059 in 1972, a 33.2% increase. The chief reason for this increase was the increased number of refunds paid, that is, 6,455 in 1973 as compared with 5,563 in 1972.



- (e) Gross administrative expenses amounted to \$606,027, an increase from \$541,689 in 1972. The major portion of the increase can be attributed to the increased number of employees in 1973, and general salary revisions.

Cash recoveries from the Administered Plans amounted to \$117,936 as compared to \$101,075 recovered in 1972.

#### B. FINANCE - ADMINISTERED PLANS

Schedule 2 attached to this Report includes a nine year review of financial and other data for the Administered Funds for the years 1965 - 1973 inclusive.

Highlights of the Review are set out below.

- (a) There was an increase in total deposits with the Board of OMERS from \$31,519,615 in 1972 to \$44,839,315 in 1973.
- (b) In 1973, interest credited to the Administered Funds increased by \$1,343,394 which included an amount of \$357,597 because of the amended rates of interest provided by the Province of Ontario on the debentures issued prior to 1970 for OMERS investments.



- (c) Contribution income rose from \$10,184,000 in 1972 to \$11,801,000 in 1973.
- (d) Administrative expenses amounted to \$122,666 for the year 1973 including actuarial fees paid directly by the Ryerson and C.A.A.T. Plans.

#### IV MEMBER-EMPLOYER RELATIONS

##### A. EMPLOYERS

To meet the challenge of a rapidly growing membership, a Member-Employer Relations section was established in 1973.

The number of employers (municipalities and local boards) participating in OMERS increased from 895 as of December 31, 1972 to 918 as of December 31, 1973. The number of municipalities participating in OMERS as of December 31, 1973 was 431. School boards and other local boards made up the balance.

##### B. MEMBERS

As of December 31, 1973 there were 93,566 active members, inactive members and pensioners as compared to 85,113 as of December 31, 1972.

The number of pensioners as of December 31, 1973 total 6,908, and the total amount of pensions paid from the Fund for the year 1973 was \$4,611,866. As a result of the increase in the number of supplementary agreements forecast for 1974, the annual pension being paid to the average pensioner covered under a Supplementary Agreement, should increase.





### C. SUPPLEMENTARY AGREEMENTS

Requests for supplementary pension benefits continued during 1973 with the result that a total of 143 Supplementary Agreements had been entered into as of December 31, 1973, compared with 87 Supplementary Agreements as of December 31, 1972. These agreements involved numerous costings, as well as revised costings after the 5% adjustment was made in the basic plan benefit earned to December 31, 1972.

The 143 Supplementary Agreements include the various types of plans offered by OMERS. These may be broken down as follows:<sup>1</sup>

Type 1 Plans (Final Average Earnings Pension)	112
Type 2 Plans (Increased Pension for Past Service)	49
Type 3 Plans (Unreduced Early Retirement Pensions)	1
Type 1 & 3 Plans	7
Type 2 & 3 Plans	7

### D. COMMUNICATIONS

During the year, numerous meetings with employee and employer groups have been held throughout the Province. Discussions at these meetings centred on the basic plan coverage, but the members were interested in the various types of supplementary benefits available,

---

<sup>1</sup> Some Agreements include more than one Plan.



requesting specific examples of the amount of benefit to be provided and the method of calculating the annual pension under Supplementary Agreements. In addition, discussions were held by telephone with both employee representatives and with employers.

A considerable volume of work was created as a result, including requests for supplementary costings, assisting employers in preparing the correct data for the costings, ensuring that the final costings results met the requirements of the members, giving advice on the amount of supplementary benefit produced, and information on the methods used to determine the costs, and finalizing the Supplementary Agreement.

OMERS participated in workshops organized by member groups in various parts of the Province. This allowed us to meet with a larger number of employee-employer groups than would otherwise have been possible.

#### E. THE ADMINISTERED PLANS

The Administered Plans had an increase in their membership from 9,105 to 11,103 in 1973 which includes active members, inactive members and pensioners.

#### V. RESEARCH AND DEVELOPMENT

While this section operated without a Director during the year, the Research Officer employed in this section acted as Secretary to the Board and performed other functions such as assisting in writing reports for the Board, preparing and consolidating The OMERS Act and



Regulations, and handling some correspondence. As indicated earlier in this Report, the Board appointed a Director for this section at the end of the year and engaged a new Research and Development Officer to replace the Research and Development Officer who had resigned.

#### VI ADMINISTERED PLANS

Under the Agreements entered into with the Governing Bodies of Ryerson Polytechnical Institute, the Colleges of Applied Arts and Technology, and the Elliot Lake Centre for Continuing Education, OMERS continued to administer their pension plans.

Effective September 1, 1973, responsibility for diploma nursing education was transferred from the hospital and regional schools of nursing to the Colleges of Applied Arts and Technology, and to the Ryerson Polytechnical Institute. As a result, agreements are being prepared for the transfer of pension credits on a reciprocal basis between the pension plans for the hospitals and the two administered plans involved.

OMERS continued to receive an administrative fee of 1% of contribution income from each of the administered plans. Any actuarial gains or losses under the agreements will accrue to the administered plans and not to OMERS.



VII EXTERNAL LIAISON

The Executive Director attended a conference of representatives of all Provincial governments to discuss reciprocal agreement provisions in the various Provincial Public Service Superannuation Plans. This conference was held in Banff in May of 1973. Both the Chairman and the Executive Director attended the Annual Conference of Municipal Finance Officers Association of the United States and Canada in Kansas City in June, 1973, and the Executive Director travelled to Puerto Rico in October, 1973 to attend a meeting of the Committee on Public Employee Retirement Administration.

In August, several senior officers visited the Illinois Municipal Retirement System in Chicago to compare respective administrative procedures and to exchange ideas and information.

VIII ADVISORS TO THE BOARD

As in previous years, the Board's Actuary, J.E. Davidson, Esq., has made an outstanding contribution to both the work of the Board and the System. The Board's Auditors, Coopers & Lybrand and the Board's Medical Advisor, Dr. R. G. MacKenzie, both rendered their usual excellent standard of service in 1973.

Our financial advisor, Paul Hickey, Esq., is to be commended for his valuable contributions to the System and to the work of the Board through his studies and reports relating to financial matters.





In view of the limited time that could be devoted to OMERS by the legal staff of the Ministry of Treasury, Economics and Intergovernmental Affairs, the legal services rendered to the Board in 1973 could not be adequate. This was recognized by the Board, and following discussions with the Minister, it was suggested that the Board might retain a legal advisor. We expect that a solution to the problem of securing legal advice has been found by the appointment of a Director of Research and Development for 1974 who is also a solicitor.

#### IX CONCLUSION

The Board wishes to record its appreciation to two members of its Board who resigned in 1973. Mrs. Anne Jones, Chairman of the Board in 1971 and 1972 was appointed Chairman of the new Regional Municipality of Hamilton-Wentworth in August of 1973. While we deeply regret that this necessitated her giving up her duties as a member of the Board of OMERS, we realize that our loss was the regional municipality's gain. Mrs. Jones has been a member of the Board since 1968. As of December 31, 1973 her replacement on the Board had not as yet been appointed. With regret the Board also accepted the resignation of R.M. Warren, Esq., Deputy Solicitor General, as he then was. Mr. Warren was succeeded on the Board by Carl E. Brannan, Esq., Deputy Solicitor General.



The Board again wishes to convey its thanks to its Executive Director, the Directors and to all members of its staff. Their loyalty and devotion to their tasks is both gratifying and very much appreciated.

To you Mr. Minister, and to the officers of your Department, we express our thanks for the past support and assistance that have been furnished to us. We look forward to a year of further progress and co-operation.

All of which is respectfully submitted.

A handwritten signature in dark ink, reading "J. M. McLeish". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

J. M. McLeish  
Chairman of the Board



FINANCIAL STATEMENTS

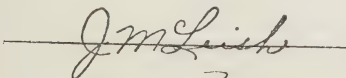
ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

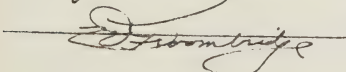
Balance Sheet

as at December 31, 1973

	<u>1973</u>	<u>1972</u>
Assets		
Investments, at cost (note 1)	\$ 503,000,000	\$ 377,900,000
Contributions receivable	7,054,270	7,580,699
Accounts receivable	120,417	110,315
Cash	63,696	183,978
	<u>\$ 510,238,383</u>	<u>\$ 385,774,992</u>
Reserves and Liabilities		
Reserves for:		
basic benefits	\$ 432,891,462	\$ 331,753,953
prior service benefits (note 2)	7,177,517	6,922,373
supplementary benefits (note 2)	25,299,930	15,521,467
	<u>\$ 465,368,909</u>	<u>\$ 354,197,793</u>
Deposits from administered pension funds (note 3)	44,839,315	31,519,615
Accounts payable and accruals	24,195	50,388
Pension benefits payable	5,964	7,196
	<u>\$ 510,238,383</u>	<u>\$ 385,774,992</u>

Signed on behalf of the Board,

 Member

 Member



ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

Statement of the Reserves

for the year ended December 31, 1973

	Basic Benefits Reserve	Prior Service Benefits Reserve	Supple- mentary Benefits Reserve	Total	1972
Balance, beginning of the year	\$331,753,933	\$6,922,373	\$15,521,467	\$354,197,793	\$272,275,172
Increases in reserves					
Contributions of:					
Members	36,328,721	116,448	2,572,055	39,017,224	32,326,969
Employers	36,316,001	206,149	9,136,537	45,658,687	37,697,940
	<u>72,644,722</u>	<u>322,597</u>	<u>11,708,592</u>	<u>84,675,911</u>	<u>70,024,909</u>
Interest earned (note 4)	<u>38,173,178</u>	<u>346,918</u>	<u>1,650,926</u>	<u>40,171,022</u>	<u>23,003,704</u>
Administrative expenditures recovered from:					
Supplementary benefits reserves	117,086			117,086	68,763
Administered pension funds	<u>117,936</u>			<u>117,936</u>	<u>101,075</u>
	<u>235,022</u>			<u>235,022</u>	<u>169,838</u>
Transfers to basic benefits reserve from:					
Prior service benefits reserves	414,371			414,371	691,266
Supplementary benefits reserves	<u>3,463,969</u>			<u>3,463,969</u>	<u>1,837,648</u>
	<u>3,878,340</u>			<u>3,878,340</u>	<u>2,528,914</u>
	<u>114,931,262</u>	<u>669,515</u>	<u>13,359,518</u>	<u>128,960,295</u>	<u>95,727,365</u>
Decreases in reserves					
Members' pensions	4,611,866			4,611,866	3,194,660
Members' contributions plus interest refunded	5,120,483			5,120,483	3,840,059
Transfers to other pension funds	193,758			193,758	1,712,434
Interest credited to administered pension funds (notes 3 & 4)	3,261,619			3,261,619	1,918,225
Transfers to basic benefits reserve for:					
Pensions present value		374,676	3,401,827	3,776,503	2,253,073
Members' contributions plus interest refunded		38,518	62,008	100,526	77,086
Transfer to other pension funds		1,177	134	1,311	198,775
			<u>3,463,969</u>		
			<u>117,086</u>	<u>117,086</u>	<u>68,763</u>
Administrative expenditures recovered					
Administrative expenditures	<u>604,027</u>	<u>414,371</u>	<u>3,581,055</u>	<u>606,027</u>	<u>541,689</u>
	<u>17,793,753</u>			<u>17,789,179</u>	<u>13,804,744</u>
Balance, end of the year	\$442,891,462	\$7,177,517	\$25,299,930	\$465,368,909	\$356,197,793





ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

Statement of Administrative Expenditures

for the year ended December 31, 1973

	<u>1973</u>	<u>1972</u>
<u>Personal services including employee benefits</u>		
Salaries	\$ 312,574	\$ 231,684
Pensions and other employee benefits	<u>32,048</u>	<u>18,859</u>
	<u>344,622</u>	<u>250,543</u>
<u>Transportation and Communication</u>		
Travel expenses	\$ 10,734	\$ 6,057
Telephone	12,448	9,871
Postage and express	<u>15,823</u>	<u>13,943</u>
	<u>39,005</u>	<u>29,871</u>
<u>Purchases of services</u>		
Actuarial services	\$ 44,896	\$ 35,500
Audit, medical and other professional services	16,919	14,705
Recruitment and training of employees	2,934	6,934
Rental of offices	53,300	43,088
Rental of equipment, including data processing	36,994	39,861
Other purchases of services	3,659	3,380
Board's services	<u>13,487</u>	<u>10,906</u>
	<u>172,189</u>	<u>154,374</u>
<u>Materials and Supplies</u>		
Furniture and equipment purchased	\$ 2,788	\$ 27,850
Supplies and stationery	35,433	35,700
Publications for members and employers	11,496	19,540
Alterations to offices	<u>494</u>	<u>23,811</u>
	<u>50,211</u>	<u>106,901</u>
Total Expenditures	<u>\$ 606,027</u>	<u>\$ 541,689</u>



ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 1973

1. INVESTMENTS

The following is a description of the investments:

Province of Ontario debentures

<u>Rate of Interest</u>	<u>Date of Maturity</u>	<u>Amounts</u>
5.49%	December 31, 1993	\$ 4,400,000
5.56	December 31, 1994	10,700,000
5.54	December 31, 1995	14,100,000
6.00	December 31, 1996	20,100,000
6.30	December 31, 1997	24,900,000
7.21	December 31, 1998	33,100,000
8.19	December 31, 1999	46,700,000
9.10	December 31, 2000	57,600,000
7.85	December 31, 2001	75,000,000
8.02	December 31, 2002	91,300,000
8.15	December 31, 1993	125,100,000
		<hr/>
		\$ 503,000,000
		<hr/>

2. PRIOR SERVICE AND SUPPLEMENTARY BENEFITS RESERVES

Under the terms of The Ontario Municipal Employees Retirement System Act, an employer who participates in OMERS may enter into an agreement with the Board for the provision of prior service benefits and/or of supplementary benefits. Each employer is responsible, individually, for the cost of funding such benefits.

3. ADMINISTERED PENSION FUNDS

The administered pension funds (which are administered on behalf of the Colleges of Applied Arts and Technology, the Ryerson Polytechnical Institute and the Elliot Lake Centre for Continuing Education) are credited, in accordance with the terms of the Act, with amounts which are equal to the interest received by the Fund from the investment of the monies deposited in the Fund by the administered pension funds.



ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 1973

4. INTEREST EARNED

Interest earned includes a special payment of \$9,045,170 which represents an adjustment of the interest paid in previous years to the Fund on Province of Ontario debentures. The payment was authorized by The Ontario Municipal Employees Retirement System Amendment Act, 1973. Of this amount, \$357,597 has been credited to the administered pension funds.

5. COMPARATIVE FIGURES

Certain of the 1972 figures have been reclassified to conform with the presentation adopted in 1973.



AUDITORS' REPORT  
TO THE  
ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

We have examined the balance sheet of the Ontario Municipal Employees Retirement Fund as at December 31, 1973 and the statements of the reserves and administrative expenditures for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Fund as at December 31, 1973 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND  
CHARTERED ACCOUNTANTS  
March 5, 1974

ACTUARIAL CERTIFICATE  
ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

We have made an actuarial study and valuation of the assets and liabilities of the Ontario Municipal Employees Retirement Fund as at December 31, 1972.

In our opinion the assets of the Fund as at December 31, 1972 held for payment of the benefits in respect of the contributory earnings of the members before December 31, 1972 are sufficient to provide for payment of such benefits; and the contributions payable in the year 1973 by the members under Section 9 of Ontario Regulation 638 R.R.O. 1970 as amended, and by the employers in accordance with the rates fixed by the Board under Section 10 1(a) of the Regulation, will be sufficient to provide for payment of the benefits in respect of the contributory earnings of the members in the year 1973 and of the expenses in the year 1973.

Respectfully submitted,  
THE WYATT COMPANY,

R. Alvin Field, F.S.A.,  
Fellow, Canadian Institute of Actuaries.

March 5, 1974





ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM  
10 Year Review of Financial and Other Data  
for the years 1964 to 1973 inclusive

Ontario Municipal Employees Retirement System

Financial Data  
(in thousands of dollars)

\*Investments

	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
*Reserves for		\$ 377,900								
basic benefits	432,891	331,754	255,628	191,265	140,233	100,420	69,360	45,051	26,105	14,105
prior service benefits	71,778	6,922	6,894	6,800	6,489	6,430	6,289	5,765	4,604	2,910
supplementary benefits	25,300	15,521	9,753	6,358	4,853	4,000	3,500	3,016	2,400	1,415
	465,369	354,197	272,275	204,423	151,575	107,290	75,369	50,816	30,199	16,435

Contributions for

basic benefits	72,665	62,766	53,311	44,271	36,055	28,657	23,241	18,171	12,590	8,714
prior service benefits	323	223	292	270	200	216	379	1,918	1,410	2,451
supplementary benefits	11,708	6,876	4,261	2,170	1,438	1,300	1,200	1,009	850	1,185
	84,696	70,865	57,795	46,733	40,693	29,330	23,820	20,109	13,950	11,385

Interest credited

to Administered Pension Funds	40,171	23,004	16,605	11,120	7,222	4,669	3,027	1,908	1,068	470
Pensions paid	3,262	1,918	1,196	636	273	104	25	104	76	21
Administrative expenditures	4,612	3,195	2,117	1,276	801	346	381	225	185	136

Amounts recovered under terms of supplementary benefit and administered pension fund agreements

Amount, net, as a percentage of contributions for basic benefits	235	170	122	142	117	46	10	3	5	
Members' contributions plus interest refunded	51%	59%	.53%	.49%	.52%	.77%	.84%	1.28%	1.45%	1.56%
Transfers to other pension funds	3,840	3,840	2,833	2,772	2,246	1,501	1,184	915	648	274
	194	1,712	79	87	75	189	22	10	1	

Rate of interest earned

on the debt service issued for the year	8.15%	8.02%	7.85%	9.10%	8.19%	7.21%	6.30%	6.09%	5.84%	5.56%
on all of the investments	7.74%	7.72%	7.63%	7.27%	6.43%	6.07%	5.63%	5.40%	5.42%	5.07%

Other Data

(number of persons or employees)										
*Members, contributing	40,983	36,293	33,074	29,217	27,134	24,808	22,702	19,696	16,325	13,777
Members, non-contributing	24,390	23,533	23,082	21,507	21,507	14,021	11,998	9,841	5,420	3,819
School boards	18,481	17,432	16,258	15,380	14,622	13,392	12,354	11,252	10,173	9,676
Other local boards	83,854	77,258	72,693	64,993	59,263	52,221	47,034	40,789	33,918	19,272

\*Members, who have elected a deferred pension

	2,721	2,107	2,223	1,146	949	845	570	272	205	79

\*Pensioners

Normal	4,860	4,069	3,306	2,542	1,815	1,315	941	586	330	123
Early	471	358	175	129	99	60	28	13	5	
Disability	329	257	189	137	102	71	44	23	13	
Widows, widowers and children	1,248	979	767	430	296	166	93	40	17	
	6,908	5,663	4,502	3,444	2,476	1,775	1,216	725	391	150

\*Employees

Municipalities	431	418	397	391	393	382	377	376	366	216
School boards	116	110	100	123	123	191	190	177	181	124
Other local boards	371	367	359	343	355	333	306	291	263	163
	918	895	860	850	871	916	893	859	808	523

\*The amount shown for each year as at December 31 is cumulative.

\*Interest rates for the years 1964 to 1969 inclusive represent the adjusted rates as authorized by The Ontario Municipal Employees Retirement System Amendment Act 1973.

\*\*\*These rates represent the weighted average yield on OMER investments in each year assuming the excess interest received in 1973 was actually received in each respective year.



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

9 Year Review of Financial and Other Data

for the years 1965 to 1973 inclusive

Schedule 2

	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1965</u>
<u>Administered Pension Funds</u>									
Financial Data (in thousands of dollars)									
*Deposits with the Board	\$ 44,839	\$ 31,520	\$ 20,526	\$ 12,128	\$ 6,361	\$ 2,928	\$ 730	\$ 375	\$ 240
*Contributions									
Colleges of Applied Arts and Technology	10,585	9,178	7,080	5,367	3,003	1,961	282	136	256
Ryerson Polytechnical Institute	1,200	988	796	642	553	364	239		
Elliot Lake Centre for Continuing Education	16	18	22	15	33				
	11,801	10,184	7,898	6,024	3,589	2,325	521	136	256
Interest Credited	3,262	1,918	1,196	636	273	104	25	15	5
Pensions paid	88	70	55	41	22	11	4	1	
Administrative expenditures	123	108	85	122	75	46	10	3	5
Members' contributions plus interest refunded	1,130	653	526	384	202	72	12	4	5
Transfers to other pension funds	51	56	8	43	10	3			
<u>Other Data</u> (number of persons)									
*Members, contributing									
Colleges of Applied Arts and Technology	10,097	8,282	7,115	6,107	4,198	2,577	1,074	179	100
Ryerson Polytechnical Institute	835	798	758	639	577	447	321		
Elliot Lake Centre for Continuing Education	22	21	21	25	25				
	10,954	9,101	7,894	6,771	4,800	3,024	1,395	179	100
*Members who have elected a deferred pension	1	2	1	1	1	1			
*Pensioners									
Normal	101	79	56	41	23	11	9	1	1
Early	1	1							
Disability	1	1							
Widows, widowers and children	12	8	7	4	3	1	1		
	115	89	63	45	26	12	10	1	1

\*The amount shown for each as at December 31 is cumulative.

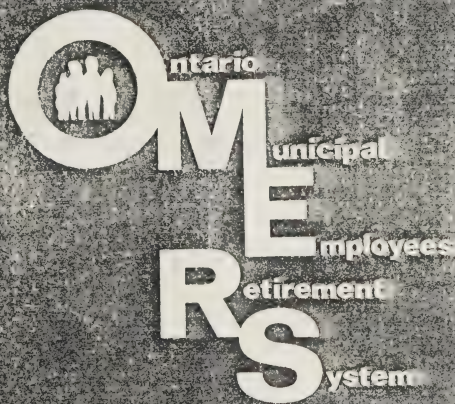




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# 1974

## ANNUAL REPORT





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July 1977*

**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD  
THIRTEENTH ANNUAL REPORT  
1974**









**ONTARIO MUNICIPAL EMPLOYEES  
RETIREMENT BOARD**

2 CARLTON STREET, TORONTO, ONTARIO M5B 1J4

Telephone 366-7923 (Area Code 416)

The Honourable W. Darcy McKeough  
Treasurer of Ontario and  
Minister of Economics and  
Intergovernmental Affairs  
Queen's Park, Ontario

Dear Mr. McKeough:

On behalf of the members of the Board, I am pleased to present the Thirteenth Annual Report of the Ontario Municipal Employees Retirement Board for the year ended December 31, 1974.

1974 was an extremely active and interesting year for the members of the Board. The decision to allow for the investment of available funds in marketable securities, the examination and recommendation for various changes to the benefit structure, continued study of the possibility of adopting a "final average earnings" formula and the day to day management of the System provided a challenge to the Board members and an opportunity to serve the members and employers.

To you Mr. McKeough, your predecessor the Honourable John White, and the the officers of your Ministry, we express our appreciation of the support and assistance accorded us and we look forward to a year of further progress and co-operation.

All of which is respectfully submitted.

Yours truly,

Lloyd D. Groombridge  
Chairman



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# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

as at December 31, 1974

## BOARD MEMBERS

Mr. J. M. McLeish, Chairman  
Middlesex-London District Health Unit

Mr. L. D. Groombridge, Vice-Chairman  
City of Chatham

Mr. R. F. Bevan  
Niagara Regional Police Force

Mr. E. Hothersall  
Ontario Professional Fire Fighters' Associ

Mr. M. A. Brown  
Ministry of the Solicitor General

Mr. G. McIntyre  
Ministry of Treasury, Economics and  
Intergovernmental Affairs

Mrs. M. Droll  
Municipality of Metropolitan Toronto

Mrs. G. Remus  
Alderman, City of Thunder Bay

Mr. H. L. Harris  
Sault Ste. Marie  
Public Utilities Commission

Mr. G. D. Spry  
Ministry of Education

Mr. E. C. Hill  
Trustee, Huron County Board of Education

## OFFICERS AND ADVISORS OF THE BOARD

Mr. A. W. Reeve

Executive Director

Mr. D. W. Barron

Director, Policy Planning

Mr. G. A. Tyson

Director, Pension Administration

The Wyatt Company

Actuaries

Coopers & Lybrand

Auditors

Mr. Purdy Crawford, Q.C.  
Osler, Hoskin and Harcourt

Solicitor

Mr. Paul Hickey, F.C.A.

Financial Advisor

Dr. R. G. MacKenzie

Medical Advisor



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

## ANNUAL REPORT - 1974

### INTRODUCTION

The growth of OMERS through thirteen years of pension improvements has been remarkable and many significant developments and changes have taken place in the pension program. It has also been a period of change for the structure and responsibilities of local governments. Economic cycles and social awareness have resulted in an increasingly critical examination of pension plans generally and certain benefit provisions in particular.

This also has been a period of time when membership has grown from 10,000 in 1963 to 90,000 in 1974; the number of pensioners from 19 to 8,500 and the assets of the Fund from \$15 million to \$641 million.

A few of the key highlights in the growth and development of OMERS reflecting the changes have been:

- 1962 • Act establishing the Ontario Municipal Employees Retirement Board was given Royal Assent on April 18th.
- 1963 • First members of the System were enrolled on January 1st, and the first contributions were received one month later.
- 1965 • Adjustments required by the introduction of The Pension Benefits Act.
- 1966 • Integration of contributions and benefits with the Canada Pension Plan.
- 1967 • Introduction of supplementary benefits.
- 1968 • Appointment of the eleven member Board to manage and administer the System.
  - 10% improvement in the benefit formula from 2% to 2.2% of the earnings of a member.
- 1970 • Change in method of determining rate of interest on special debentures purchased from the Province.

1971 • 10% improvement to all basic pensions earned or under payment on December 31, 1970.

1972 • 5% improvement to all basic pensions earned or under payment on December 31, 1971.

1973 • 5% improvement to all basic pensions earned or under payment on December 31, 1972.

- Reinvestment with the Province of funds from debentures purchased in the years 1963 to 1969 at improved rates of interest.

### BENEFIT PROGRAM

The OMERS pension program has developed into two main elements—the **basic benefits** and **supplementary benefits**.

The **basic benefits** are those benefits established in 1963 that are provided uniformly to each member and the contribution rates are also uniformly applicable to members and participating local government employers. The basic benefits have been improved on several occasions since 1963. At the present time the pension formula provides a pension of 2.2% of career earnings while a member of the System, integrated with the Canada Pension Plan. The original contribution rates have not been changed and all financing gains have been passed on in the form of 27% compounded improved benefits.

The basic career average benefit structure provides for an annual pension to commence at the member's normal retirement age. The member may choose an optional early retirement pension within ten years of normal retirement but this pension is reduced to recognize the earlier commencement of the pension. A member who is totally and permanently disabled is provided the annual pension earned up to the point in time of retirement due to the disability. The basic plan also provides a member with two options on termination of service

other than for death or normal retirement. Contributions made by the member may be withdrawn with interest compounded at 3% (subject to certain "locking in" provisions of The Pensions Benefits Act). The member may also leave the contributions in the System to provide a pension at the member's normal retirement age.

On the death of a male member the widow receives one-half of the pension being paid to the member or earned by the member to the date of death plus additional amounts for any children. On the death of a female member, the widower, if he is disabled and dependent on the member, receives one-half of the pension of the member.

The multi-employer concept of OMERS also allows a member to transfer employment within the System's family of local government employers without interrupting the accumulation of pension. This important facet, together with transfer arrangements with other public service pension plans, expansion of which is under review continuously, allows employee mobility and development and broadens employer recruitment capabilities (as far as pensions are concerned).

The other element of OMERS that has received considerable attention in the last six years is **supplementary benefits**. The main features of supplementary benefits, which distinguish them from the basic plan, are as follows:

- supplementary benefits are additional amounts of pension which can be combined with the basic pension to provide
- a pension for periods of service before enrollment in OMERS (past service)
- an overall higher level of pension than the basic benefits
- an unreduced early retirement pension
- supplementary benefits are provided by an individual agreement with an employer for its employees
- supplementary benefits may be provided to all employees of an employer or to any class of employee
- the costs of supplementary benefits are determined separately for each employer and are paid into OMERS by the employer, the employees or on some shared basis.

The Board in attempting to provide a flexible supplementary benefit program has developed numerous options and combinations designed to meet the many diverse pension needs of local governments and local government employees.

The supplementary program has been praised and criticized by both employers and members. At the end of 1974, however, one of every four members of OMERS was covered under a supplementary agreement. The Board, aware of the complexity of the supplementary benefit program and of the substantial costs associated with such benefits, has attempted to provide an effective communication program to employees and employers so that the benefits and costs are fully understood.

The supplementary benefit program allows municipalities and local boards to augment the pensions payable from the basic OMERS plan to their employees in order that the pensions provided are compatible with other public sector employees.

## MAJOR ISSUES — 1974

### INVESTMENTS

One of the most significant issues considered by the Board of OMERS during 1974 was the change in the investment policies.

During 1974 the Study Group on OMERS' Investment Policy reported to the Treasurer of Ontario. The main finding of the Study Group was that OMERS could achieve a higher rate of return on investments made in marketable securities than in the special Provincial debentures.

The 1974 Budget of the Honourable John White contained the statement that up to 20% of OMERS' net receipts would be made available in 1975 for wider investment opportunities. This was followed by amendments to The OMERS Act in December, 1974 to introduce this major policy change. The salient features of the legislation are as follows:

- commencing in 1975, the Board is authorized to invest a portion of available funds under the limitations of The Pension Benefits Act
- the portion of funds to be invested in marketable securities is to be as agreed upon between the Treasurer of Ontario and the Board
- the Board can delegate investment powers to an investment policy committee



- the investment policy committee will include members with senior investment or other financial management experience

During 1974 the Board engaged investment specialists and advisors to assist in the development of the program and the investment policies of the Board. This work is progressing favourably and the Board will commence the investment program during 1975.

## BENEFITS POLICY

The Board examined in detail a number of the benefit provisions contained in the Regulations and recommended certain changes to the Provincial Government. The following changes were adopted and amendments made to the Regulations under The OMERS Act:

- a 5% improvement in the basic pension earned to December 31, 1973 for all active and retired members
- a period of service as a councillor after retirement as an employee will not cause the suspension of a member's pension
- a pension payable to children can now be directed to the person or agency having custody or control of the children rather than being paid into court
- the executive-director can determine the date on which a benefit becomes or should have become payable where there is a disagreement

The Board considered other amendments to the Regulations related to dual retirement ages, cessation of pensions on re-employment and widowers' pensions, and these changes will be recommended in 1975.

The Board, in 1974, continued to examine the feasibility of changing the basic career average benefits plan to a basic final average earnings plan. Further cost estimates were sought, together with a detailed report on major and minor policy issues and administrative arrangements. Consideration was also given to the methods of gaining a consensus for the change and communication of the changes made to the members and employers.

While details of the basic final average earnings plan have not been determined, nor have actual

costs and contribution rate adjustments, the Board did adopt, in principle, that the basic career average plan be changed to provide pension benefits based on final or highest average earnings.

Further studies will be undertaken in 1975 and details of the proposed changes communicated to members and employers.

## FINANCE AND ADMINISTRATION

Schedule I presents a ten year review of financial and other data for the System for the years 1965-1974 inclusive.

The highlights of the 1974 financial statements are as follows:

	(\$000's)
• Province of Ontario debenture issued to the Fund in 1974 at 9.81 % for 20 years	\$138,125
• Total investment portfolio at the end of 1974	\$641,125
• Deposits held in trust for the Administered Plans	\$ 61,640
• Interest earned	\$ 44,353
• Interest credited to administered pension funds	\$ 4,312
• Contribution income:	\$ 99,774
Basic	\$ 85,535
Prior service	382
Supplementary	13,857
• Benefit payments:	\$ 14,993
Members' pensions	\$ 6,644
Members' contributions plus interest refunded	7,367
Transfers to other pension plans	982
• Administrative expenditures	\$ 579
Gross expenditures	\$ 867
Recoveries:	
supplementary benefits	\$139
administered funds	149 288

The number of participating employers (municipalities and local boards) had a net increase of 1 in 1974 as 16 of the smaller existing groups were amalgamated into larger units and 17 new employers elected to participate in the System in 1974.

As at December 31, 1974, active contributory members, inactive members and pensioners totalled 100,492 as compared to 93,566 at the end of 1973. During the year 15,589 new members were enrolled in the System while 8,663 members either terminated their service, died or retired, resulting in a net increase of 6,926.

The 3,291 inactive members reflect the increasing number of members leaving municipal employment and electing deferred pensions. The increasing value of portability is also reflected by the 462 employees who transferred from the employ of one municipality to another within the year with no interruption in their pension accumulation.

The number of pensioners as of December 31, 1974 totalled 8,394, a net increase of 1,486 over the number being paid at the end of 1973. The pension roll is increasing at approximately 130 new retirees each month. The total amount of pensions paid increased from \$4.6 million in 1973 to \$6.6 million in 1974 reflecting the increased number of pensioners and the improved pensions being generated by the basic and supplementary benefit programs.

During the year 1974, numerous meetings were held with participating and non-participating employers and employee associations representing members of OMERS throughout the Province. Discussions at these meetings encompassed all facets of OMERS from the basic plan coverage to such items as the restructuring of local governments, administration and employers' previously approved plans. However, by far, most of the meetings were related to the benefits available under the supplementary plans.

Also, in a continuing effort to bring the members of OMERS a better understanding of the System, the OMERS Board held two workshops during the year. The representatives of various employee associations were invited to one meeting and representatives of various employer groups to the other. The success of the two meetings resulted in an agreement to continue these meetings at regular

intervals in the future with both representatives of employee and employer organizations in attendance together.

## ADMINISTERED PLANS

In accordance with Section 15 of The OMERS Act, the Board has entered into Agreements to manage and administer the pension plans of the Board of Governors of the Ryerson Polytechnical Institute, the Boards of Governors of the Colleges of Applied Arts and Technology and the Board of Governors of the Elliot Lake Centre for Continuing Education.

The responsibility for diploma nursing education was transferred from the hospitals and regional schools of nursing to the Colleges of Applied Arts and Technology and to Ryerson Polytechnical Institute effective September 1, 1973. As a result, studies were undertaken to develop the mechanics and financial implications for the transfer of pension credits from the former pension plans of the nurses to the two administered plans involved. This work was substantially completed during 1974 and transfers should be made in 1975.

During 1974 the pension plans of the Colleges of Applied Arts and Technology and the Ryerson Polytechnical Institute were studied for possible amendment and improvement. The Colleges Plan progressed in 1974 to approval of the proposal and the drafting of specific changes to the management agreement and pension plan. All of the changes contemplated should be in effect in 1975.

Schedule 2 presents a ten year review of financial and other data for the Administered Plans covering the years 1965-1974 inclusive. The schedule shows an increase in membership of 8% over last year to 11,934 members; 143 pensioners at the end of 1974; \$15 million received in contributions from members and employers; deposits with OMERS as fund investments totalling almost \$62 million at the end of the year and interest earned during the year of \$4.3 million.

Actuarial valuations of the administered plans, particularly those undergoing major benefit changes and receiving an exceptional number of employees on transfer, were commenced in 1974 and will be finalized in 1975.

With the growth of the administered plans, and a greater interest by the employer and members in the pension benefits and other arrangements, the Board has authorized the administrative staff to up-grade our contacts and administrative practices for these plans. A program of greater communication between OMERS and the administered plans is to be developed and implemented in 1975.

## THE BOARD AND ITS ADVISORS

The Ontario Municipal Employees Retirement Board is responsible for policy recommendations to the Treasurer of Ontario, and the management and administration of the System which provides pension benefits for the employees and councillors of most municipalities in Ontario, as well as the employees of many local boards throughout Ontario. In addition, the Board is responsible for the administration of pension funds of a number of Ontario's post-secondary educational institutions, namely, the twenty-two Colleges of Applied Arts and Technology, the Ryerson Polytechnical Institute and the Elliot Lake Centre for Continuing Education.

The eleven member Board was first appointed on January 1, 1968. Two original Board members have given continuous service to the end of 1974—John McLeish of London and Lloyd Groombridge of Chatham. Mr. McLeish was Vice-Chairman of the Board in 1971 and 1972 and Chairman of the Board in 1973 and 1974. Mr. Groombridge was Vice-Chairman in 1973 and 1974 and was elected Chairman of the Board for 1975. These two members, have made a valuable contribution to OMERS during a period of rapid growth and significant development of the System.

The original Board membership provided for two elected persons and five employees from local government and four Provincial civil servants. In 1974, the composition of the membership on the Board was changed, reducing by one the number of civil servants and increasing to six the number of local government employees. At least two of the six employee members are "officers" of a municipality or local board.

At the beginning of 1974 there were ten members on the Board and one vacancy. During the year Messrs. Brannan, Hickey, Lumley and Reeve resigned from the Board. The new members appointed were Mrs. Margaret Droll, Mrs. Grace

Remus, Mr. Caley Hill, Mr. Michael Brown and Mr. George McIntyre.

The Board membership and representation at the end of the year was as follows:

- 2 elected persons from a participating employer  
— Mrs. Remus and Mr. Hill
- 2 employees who are officers of a participating employer  
— Messrs. Groombridge and Harris
- 4 employees of a participating employer  
— Mrs. Droll and Messrs. Bevan, Hothersall and McLeish
- 3 civil servants  
— Messrs. Brown, McIntyre and Spry

The Board has been well served by its officers and staff during the year and in August, 1974, the Board appointed Mr. A. W. Reeve, Executive Director with Mr. Barron assuming the position of Assistant to the Executive Director. At this time, the Board wishes to express its thanks to the staff for another successful year of dedicated effort under sometimes difficult circumstances.

The Board realizes that the successful administration of the System is due in part, to the efforts of the local official who has been designated by the employer to be responsible for the administration of the affairs of OMERS within his particular municipality or local board. The Board expresses its appreciation to each of these officials.

The Board is also fortunate to be advised by competent persons in specialized areas. The Wyatt Company continues as the actuary to OMERS with one major change during 1974. Mr. "Dave" Davidson of the Wyatt Company retired in June after serving OMERS from the beginning and much of the success of OMERS is due to his efforts. We wish him well in his years of retirement. Mr. Alvin Field has replaced Mr. Davidson and having had many years of association with OMERS continues to provide the System with a very high calibre of actuarial and pension planning advice.

Dr. Ross MacKenzie, the Board's medical advisor for disability pensions, undertook a major review of the disability pensions that had been granted since 1963 and recommended to the Board a classi-

fication system and review process to assist in the administration of this aspect of OMERS. Dr. MacKenzie attended two Board meetings and reviewed thoroughly his approach to his role as the medical advisor of the System.

In 1974 the Board appointed Mr. Purdy Crawford of Osler, Hoskin and Harcourt as the legal advisor of OMERS. Mr. Crawford's contribution to the System in the last few months of 1974 has been extremely competent and helpful. The legal assistance required by the Board has been difficult to obtain on a satisfactory basis prior to the appointment of Mr. Crawford and this problem has now been resolved.

Mr. Paul Hickey, the financial advisor to the Board, undertook the time consuming and onerous task of co-ordinating the development of the new investment program. Mr. Hickey has brought to this task an exceptional knowledge of OMERS as a member and Chairman of the Board, a career in local government finance and experience and interest in the investment of pension fund moneys. Mr. Hickey was the Chairman of the Study Group on OMERS' Investment Policy and was the author of the Report of the group.

## CONCLUSION

1974 has been an active and rewarding year for the OMERS Board. Another 5% improvement was made to all pensions under the basic System; work is progressing towards a conversion from a "career average" plan to a "final average" plan, and most importantly broader investment opportunities have been achieved.

During the year the Board held a number of meetings with the Treasurer of Ontario, the Honourable John White and advisors from the Ministry of Treasury, Economics and Intergovernmental Affairs, primarily devoted to the investment of OMERS' funds. These meetings, and the interest and support of OMERS activities were appreciated by the Board.

In conclusion, the members of the Board are privileged to serve the members and employers participating in OMERS. OMERS has become one of the largest plans in Canada and the complexities of administration and the development and implementation of an improved benefit formula and the investment of funds in marketable securities will make 1975 one of the most important years in the history of the System.

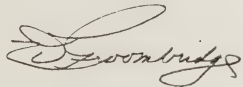
# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Balance Sheet

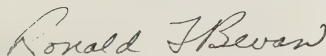
as at December 31, 1974

	1974	1973
<b>Assets</b>		
Investments, at cost (note 1)	\$ 641,125,000	\$ 503,000,000
Contributions receivable	9,887,088	7,054,270
Accounts receivable	152,360	120,417
Cash	14,803	63,696
	<u>\$ 651,179,251</u>	<u>\$ 510,238,383</u>
<b>Reserves and Liabilities</b>		
Reserves for:		
basic benefits	\$ 545,303,439	\$ 432,891,462
prior service benefits (note 2)	7,381,309	7,177,517
supplementary benefits (note 2)	36,789,136	25,299,930
	<u>\$ 589,473,884</u>	<u>\$ 465,368,909</u>
Deposits from administered pension funds (note 3)	61,640,315	44,839,315
Accounts payable and accruals	53,476	24,195
Pension benefits payable	11,576	5,964
	<u>\$ 651,179,251</u>	<u>\$ 510,238,383</u>

Signed on behalf of the Board



Member



Member



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Statement of the Reserves

for the year ended December 31, 1974

	Basic Benefits Reserve	Prior Service Benefits Reserves	Supplementary Benefits Reserves	Total	1973
Balance, beginning of the year	\$432,891,462	\$ 7,177,517	\$ 25,299,930	\$465,368,909	\$354,197,793
Increases in reserves					
Contributions of:					
• Members	42,216,750	149,499	1,933,563	44,299,812	39,017,224
• Employers	43,317,611	232,879	11,923,436	55,473,926	45,658,687
	85,534,361	382,378	13,856,999	99,773,738	84,675,911
Interest earned	41,737,079	358,649	2,257,450	44,353,178	40,171,022
Administrative expenditures recovered from:	138,570			138,570	117,086
• Supplementary benefits reserves	149,273			149,273	117,936
• Administered pension funds	287,843			287,843	235,022
Transfers to basic benefits reserve from:					
• Prior service benefits reserves	537,235			537,235	414,371
• Supplementary benefits reserves	4,486,673			4,486,673	3,463,959
	5,023,908			5,023,908	3,878,340
	132,583,191	741,027		149,438,667	128,960,295
Decreases in reserves					
Members' pensions	6,643,769			6,643,769	4,611,866
Members' contributions plus interest refunded	7,366,924			7,366,924	5,120,483
Transfers to other pension funds	981,960			981,960	193,758
Interest credited to administered pension funds (note 3)	4,311,927			4,311,927	3,261,619
Transfers to basic benefits reserve for:					
• Pensions present value		465,892	4,309,984	4,775,876	3,776,503
• Members' contributions plus interest refunded		48,124	176,488	224,612	100,536
• Transfer to other pension funds		25,219	201	25,420	1,311
			4,486,673		
			138,570	138,570	117,086
Administrative expenditures recovered	866,634			866,634	606,027
Administrative expenditures	20,171,214	537,235	4,625,243	25,333,692	17,789,179
	\$545,303,439	\$ 7,381,309	\$ 36,789,136	\$589,473,884	\$465,368,909
Balance, end of the year					

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Statement of Administrative Expenditures

for the year ended December 31, 1974

	1974	1973
<b>Personal services including employee benefits</b>		
Salaries of regular staff	\$ 443,060	\$ 311,604
Salaries of casual staff	4,019	970
Pensions	29,580	23,255
Unemployment insurance	4,513	1,972
Workmen's compensation	436	516
Hospital and medical insurance	3,719	3,536
Term life insurance	1,333	1,351
Long term disability insurance	1,946	1,418
	<u>\$ 488,606</u>	<u>\$ 344,622</u>
<b>Transportation and Communication</b>		
Travel expenses, including overtime meal allowances	\$ 18,262	\$ 10,734
Telephone	15,638	12,448
Postage and express	16,790	15,823
	<u>\$ 50,690</u>	<u>\$ 39,005</u>
<b>Purchases of services</b>		
Actuarial services	\$ 38,210	\$ 44,896
Audit services	11,000	10,000
Medical services	1,908	2,115
Legal services	2,350	—
Other professional services	24,367	4,804
Recruitment and training of employees	7,360	2,934
Rental of offices	56,728	53,300
Rental of equipment, including data processing	54,093	36,994
Maintenance and repair of equipment	2,246	1,529
Electricity	1,996	1,626
Insurance	1,915	504
Board's services	32,231	13,487
	<u>\$ 234,404</u>	<u>\$ 172,189</u>
<b>Materials and supplies</b>		
Furniture and equipment purchased	\$ 24,406	\$ 2,788
Supplies and stationery	54,754	35,433
Publications for members and employers	9,734	11,496
Alterations to offices	4,040	494
	<u>\$ 92,934</u>	<u>\$ 50,211</u>
<b>Total expenditures</b>	<u>\$ 866,634</u>	<u>\$ 606,027</u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Balance Sheet

as at December 31, 1979

	<u>1979</u>	<u>1978</u>
<b>Assets</b>		
Investments (note 2)	\$2,052,022,637	\$1,621,623,189
Contributions receivable	23,007,676	25,066,012
Accounts receivable	302,512	279,405
Accrued income	11,843,710	48,206,347
Cash	<u>65,433</u>	<u>2,017,660</u>
	<u>\$2,087,241,968</u>	<u>\$1,697,192,613</u>
 <b>Reserves and Liabilities</b>		
Reserves for:		
basic benefits (note 3)	\$1,718,762,999	\$1,377,027,453
prior service benefits (note 4)	5,039,962	7,987,093
supplementary benefits (note 4)	<u>135,543,898</u>	<u>129,016,756</u>
	\$1,859,346,859	\$1,514,031,302
 Deposits from administered pension funds (note 5)	226,768,259	182,805,050
Accounts payable and accruals	654,811	335,384
Pension benefits payable	<u>472,039</u>	<u>20,877</u>
	<u>\$2,087,241,968</u>	<u>\$1,697,192,613</u>

Signed on behalf of the Board

 Member

 Member



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND Statement of the Reserves for the year ended December 31, 1979

	Basic Benefits Reserve	Prior Service Benefits Reserve	Supple- mentary Benefits Reserve	Total	1978
<b>Balance, beginning of the year</b>	\$1,377,027,453	\$7,987,093	\$129,016,756	\$1,514,031,302	\$1,205,485,239
<b>Increases in reserves</b>					
Contributions of:					
• Members	111,793,285	—	2,061,220	113,854,505	104,428,771
• Employers	114,646,798	31,812	25,774,309	140,452,919	127,666,482
	226,440,083	31,812	27,835,529	254,307,424	232,095,253
	156,582,529	94,809	11,613,352	168,290,690	134,836,824
<b>Income earned from investments</b>					
Administrative expenditures recovered from:					
• Supplementary benefits reserve	278,355			278,355	255,927
• Administered pension funds	294,839			294,839	270,370
	573,194			573,194	526,297
<b>Transfer to basic benefits reserve from:</b>					
• Prior service benefits reserve	3,073,752			3,073,752	457,436
• Supplementary benefits reserve	32,643,384			32,643,384	26,029,423
	35,717,136			35,717,136	26,486,859
	419,312,942	126,621	39,448,881	458,888,444	393,945,233
<b>Decreases in reserves</b>					
Members' pensions	28,302,694			28,302,694	21,648,720
Members' contributions plus interest refunded	27,142,219			27,142,219	19,515,170
Transfers to other pension plans	653,207			653,207	566,267
Income credited to administered pension funds (note 5)	19,201,710			19,201,710	15,006,742
Transfers to basic benefits reserve for:					
• Pension present value	404,402		20,348,325	20,753,727	14,005,520
• Members' contributions plus interest refunded	4,223		11,534,233	11,538,456	9,610,298
• Transfer to other pension plans	349		6,863	7,232	91,471
• Conversion NRA 65 to NRA 60			243,870	243,870	2,412,951
• Purchase waiting period			2,741	2,741	2,328
• Purchase additional pension			506,332	506,332	364,291
• Purchase transferred-in service	2,664,778			2,664,778	
	3,073,752		32,643,384		
• Administrative expenditures			278,355	278,355	255,927
<b>Administrative expenditures</b>					
• Pensions	1,809,478			1,809,478	1,564,047
• Investments	468,088			468,088	365,438
	77,577,396			113,572,887	85,409,170
	3,073,752		32,921,739		
	\$5,039,962		\$135,543,898	\$1,859,346,859	\$1,514,031,302
<b>Balance, end of the year</b>					

THE *Wyatt* COMPANY

ACTUARIES AND EMPLOYEE BENEFIT CONSULTANTS

MONTREAL OTTAWA  
CHICAGO HOUSTON  
DETROIT MIAMI  
DALLAS NEW YORK  
CLEVELAND SAN FRANCISCO  
PHILADELPHIA WASHINGTON  
ORLANDO MINNEAPOLIS

141 ADELAIDE STREET WEST

TORONTO, ONTARIO

MSH 3LS

(416) 592-0393

March 10, 1975

ACTUARIAL CERTIFICATE

We have made an actuarial study and valuation of the assets and liabilities of the Ontario Municipal Employees Retirement Fund as at December 31, 1972.

In our opinion the assets of the Fund as at December 31, 1972 held for payment of the benefits in respect of the contributory earnings of the members before December 31, 1972 are sufficient to provide for payment of such benefits; and the contributions payable in the years 1973 and 1974 by the members under Section 9 of Ontario Regulation 638 R.R.O. 1970 as amended, and by the employers in accordance with the rates fixed by the Board under Section 10 1(a) of the Regulation, will be sufficient to provide for payment of the benefits in respect of the contributory earnings of the members in the years 1973 and 1974 and of the expenses in those years.

Respectfully submitted

THE WYATT COMPANY

*R. Alvin Field*

.....  
R. Alvin Field, F.S.A.,  
Fellow, Canadian Institute of Actuaries

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

Schedule 1

## 10 Year Review of Financial and Other Data for the years 1965 to 1974 inclusive

### Ontario Municipal Employees Retirement System

Financial Data (in thousands of dollars)

	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
• Investments	\$641,125	\$503,000	\$377,900	\$286,600	\$211,600	\$154,000	\$107,300	\$74,200	\$49,300	\$29,200
• Reserves for										
basic benefits	545,304	432,891	331,754	255,628	191,265	140,233	100,420	69,560	45,051	26,105
prior service benefits	7,381	7,178	6,922	6,894	6,800	6,430	6,430	6,289	5,765	4,094
supplementary benefits	36,789	25,300	15,521	9,753	6,358	4,853	440			
	589,474	465,369	354,197	272,275	204,423	151,575	107,290	75,849	50,816	30,199
Contributions for										
basic benefits	85,535	72,645	62,766	53,311	44,271	36,055	28,657	23,241	18,171	12,580
prior service benefits	382	323	292	223	292	200	236	579	1,938	1,410
supplementary benefits	13,857	11,708	6,876	4,261	2,170	4,438	437			
	99,774	84,676	70,025	57,795	46,733	40,593	29,330	23,820	20,109	13,990
Interest earned	44,353	40,171	23,004	16,605	11,120	7,222	4,669	3,027	1,908	1,058
Interest credited to Administered Pension Funds	4,312	3,262	1,918	1,196	636	273	104	25	15	5
Pensions paid	6,644	4,612	3,195	2,117	1,276	801	546	381	225	76
Administrative expenditures										
Amount, gross	867	606	542	402	358	305	266	205	236	188
Amounts recovered under terms of supplementary benefit and administered pension fund agreements	288	235	170	132	142	117	46	10	3	5
Amount, net, as a percentage of contributions for basic benefits	.68%	.51%	.59%	.53%	.49%	.52%	.77%	.84%	1.28%	1.45%
Members' contributions plus interest refunded	7,367	5,120	3,840	2,833	2,772	2,246	1,501	1,184	915	648
Transfers to other pension funds	982	194	1,712	79	87	75	189	22	10	1
Rate of interest earned	9.81%	8.15%	8.02%	7.85%	9.10%	8.19%	7.21%	6.30%	6.00%	5.54%
***on the disbursements issued for the year	8.07%	7.74%	7.72%	7.63%	7.27%	6.43%	6.07%	5.63%	5.40%	5.42%
Other Data (number of persons or employers)										
• Members, contributing										
Municipalities	44,279	40,983	36,293	33,074	29,217	27,134	24,808	22,702	19,696	16,325
School boards	24,787	24,390	23,533	23,062	20,386	17,507	14,021	11,998	9,841	5,420
Other local boards	19,642	18,481	17,432	16,523	15,390	14,622	13,392	12,354	11,252	2,173
	88,708	83,854	77,258	72,659	64,993	59,263	52,221	47,054	40,789	23,918
• Members, who have elected a deferred pension	3,291	2,721	2,107	2,223	1,146	949	845	570	272	205
• Pensioners										
Normal	5,796	4,860	4,049	3,306	2,542	1,815	1,315	941	586	320
Early	641	471	358	290	175	129	99	60	38	28
Disability	409	329	257	189	137	102	71	40	19	13
Widows, widowers and children	48	1,248	979	767	590	430	290	169	92	40
	6,394	6,908	5,663	4,502	3,444	2,476	1,775	1,214	725	391
• Employers										
Municipalities	415	431	418	397	391	393	382	377	376	356
School Boards	121	116	110	104	100	123	191	190	177	161
Other local boards	373	371	367	359	355	357	343	306	306	91
	919	918	895	860	850	871	916	898	859	608

\*The amount shown for each year as at December 31 is cumulative.

\*\*Interest rates for the years 1965 to 1969 inclusive represent the adjusted rates as authorized by The Ontario Municipal Employees Retirement System Amendment Act 1973.

\*\*\*These rates represent the weighted average yield on OMERS investments in each year assuming the excess interest received in 1973 was actually received in each respective year.

## ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## 10 Year Review of Financial and Other Data for the years 1965 to 1974 inclusive

	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
<b>Administered Pension Funds</b>										
Financial Data (in thousands of dollars)										
*Deposits with the Board	\$ 61,640	\$ 44,839	\$ 31,520	\$ 20,526	\$ 12,128	\$ 6,361	\$ 2,928	\$ 730	\$ 375	\$ 240
*Contributions										
Colleges of Applied Arts and Technology	13,621	10,585	9,178	7,080	5,367	3,003	1,961	282		
Ryerson Polytechnical Institute	1,309	1,200	988	796	642	553	364	239	136	256
Elliot Lake Centre for Continuing Education	16	16	18	22	15	33				
	14,946	11,801	10,184	7,898	6,024	3,589	2,325	521	136	256
Interest Credited	4,312	3,262	1,918	1,196	636	273	104	25	15	5
Pensions paid	123	88	70	55	41	22	11	4	1	
Administrative expenditures	151	123	108	85	122	75	46	10	3	5
Members' contributions plus interest refunded	1,603	1,130	653	526	384	202	72	12	4	5
Transfers to other pension funds,	179	51	55	8	43	10	3			
Other Data (number of persons)										
*Members, contributing										
Colleges of Applied Arts and Technology	11,060	10,097	8,282	7,115	6,107	4,198	2,577	1,074	179	100
Ryerson Polytechnical Institute	858	835	798	758	639	577	447	321		
Elliot Lake Centre for Continuing Education	16	22	21	21	25	25				
	11,934	10,954	9,101	7,894	6,771	4,800	3,024	1,395	179	100
*Members who have elected a deferred pension	4	1	2	1	1	1	1			
*Pensioners										
Normal	129	101	79	56	41	23	11	9	1	1
Early	1	1	1							
Disability	1	1	1							
Widows, widowers and children	12	12	8	7	4	3	1	1		
	143	115	89	63	45	26	12	10	1	

\*The amount shown for each year as at December 31 is cumulative.







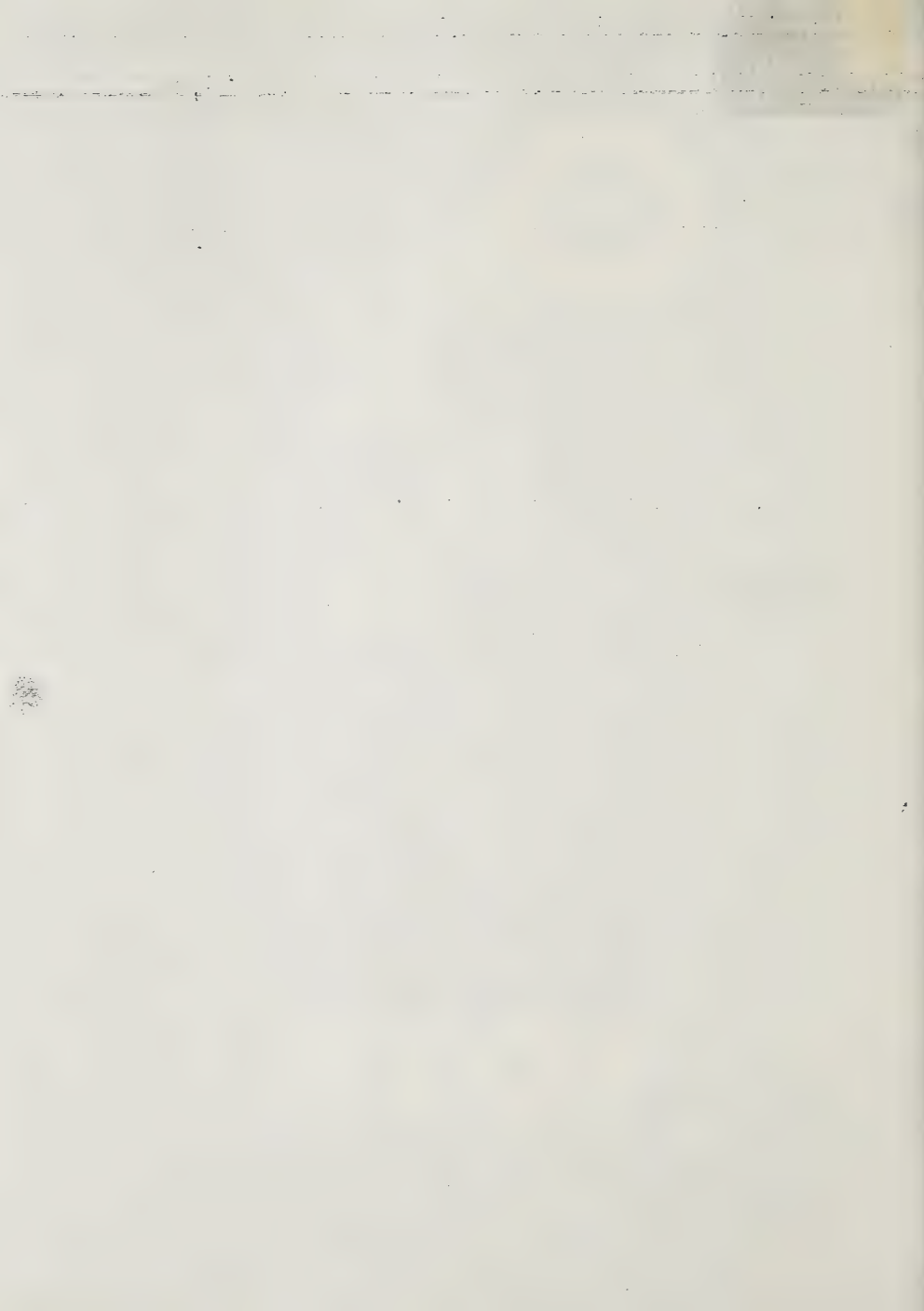
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# OMERS

Ontario  
Municipal  
Employees  
Retirement  
System

# 1975

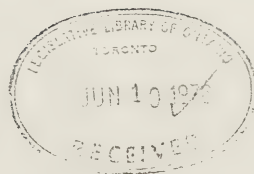
ANNUAL REPORT





Copy - Document Paper 73  
10 June 1976

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD  
FOURTEENTH ANNUAL REPORT  
1975







**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD**  
2 BLOOR STREET WEST (27TH FLOOR), TORONTO, ONTARIO M4W 3E2. (416) 967-0637

May 14, 1976

The Honourable W. Darcy McKeough  
Treasurer of Ontario and  
Minister of Economics and  
Intergovernmental Affairs  
Queen's Park  
Toronto, Ontario

Dear Mr. Minister:

On behalf of the members of the Board, I am pleased to present to you the Annual Report of the Ontario Municipal Employees Retirement Board for the year ended December 31, 1975.

OMERS continued a remarkable growth pattern through 1975 and at the end of the year over ninety-seven thousand local government employees were contributing to the System, almost ten thousand former members were receiving monthly pension cheques, and nine hundred and fifty municipalities and local boards from all over Ontario were participating in the System. Invested assets exceeded eight hundred million dollars, increasing yearly by almost two hundred million dollars. Actuarial valuations indicate no unfunded liabilities and the Fund has never had an experience deficiency.

This has been a remarkable achievement in just thirteen years. While municipal pensions still lag behind the pensions of other public servants in Ontario, OMERS has achieved the goals it set for itself and the Board continues to strive for future improvements.

I know that each person who has been privileged to serve on the Board of OMERS has found it a challenging and rewarding appointment. We, the members of the Board, express to you, and the officers and staff of the Ministry of Treasury, Economics and Intergovernmental Affairs, our appreciation for your support and assistance during 1975.

All of which is respectfully submitted.

Yours truly,

A handwritten signature in dark ink, which appears to read 'Lloyd D. Groombridge', is written over a large, faint, circular stamp or watermark. The signature is fluid and cursive.

Lloyd D. Groombridge  
Chairman



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# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

as at December 31, 1975

## BOARD MEMBERS

Mr. L. D. Groombridge, Chairman  
City Manager, City of Chatham

Mr. R. F. Bevan, Vice-Chairman  
Staff Inspector  
Niagara Regional Police Force

Mr. E. Hothersall  
Secretary-Treasurer  
Ontario Professional Fire Fighters' Association

Mr. M. A. Brown  
Ministry of the Solicitor General

Mr. G. McIntyre  
Ministry of Treasury, Economics and  
Intergovernmental Affairs

Mrs. M. Droll  
Municipality of Metropolitan Toronto

Mr. J. M. McLeish  
Middlesex-London District Health Unit

Mr. H. L. Harris  
Manager, Public Utilities Commission  
City of Sault Ste. Marie

Mrs. G. Remus  
Alderman, City of Thunder Bay

Mr. E. C. Hill  
Trustee, Huron County Board of Education

Mr. G. D. Spry  
Ministry of Natural Resources

## INVESTMENT POLICY COMMITTEE OF THE BOARD

Mr. R. M. MacIntosh, Chairman  
Bank of Nova Scotia

Mr. D. A. Beggs  
Director of Investments

Mr. N. J. Short  
Guardian Capital Group Limited

Mr. H. M. Cunningham  
Canada Packers Limited

Mr. G. D. Spry  
Member of the Board

Mr. A. W. Reeve  
Executive Director

Mr. J. C. C. Wansbrough, Vice-Chairman  
National Trust Company Limited

## ADVISORS

The Wyatt Company  
Actuaries

Coopers and Lybrand  
Auditors

Mr. Purdy Crawford, Q.C.  
Osler, Hoskin and Harcourt  
Solicitor

Dr. R. G. MacKenzie  
Medical Advisor

## STAFF

Mr. A. W. Reeve  
Executive Director

Mr. D. W. Barron  
Director of Policy Planning

Mr. D. A. Beggs  
Director of Investments

Mr. G. A. Tyson  
Director of Pension Administration





# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

## 1975 ANNUAL REPORT

### INTRODUCTION

The Ontario Municipal Employees Retirement Board is responsible for the management and administration of OMERS and for recommending changes to the Act and regulations.

These responsibilities include research in benefit development, actuarial review and costing, financial reporting, enrolment of members, participation of employers, the receipt and investment of funds, the calculation and payment of benefits and the recording of individual member contributions.

The pension program of OMERS is divided into four parts. The basic plan to which each participating employer and member contribute, the supplementary benefit program which is optionally available to individual employers and groups of employees of these employers, prior service pensions which absorbed plans in existence prior to the establishment of the System and a scheme whereby individual employers may increase the pensions of retired municipal employees.

In addition to these responsibilities the Board also administers, under agreement, the pension plans of Ryerson Polytechnical Institute, the Colleges of Applied Arts and Technology and the Elliot Lake Centre for Continuing Education.

This Report outlines the Board's activities during 1975 including the growth in participating employers and members, the utilization of the optional supplementary benefit program and the changes and improvements to the benefit program and the administration of the System.

### MAJOR ACTIVITIES IN 1975

#### Benefit Changes

The Board recommended a number of changes to the regulations made under The OMERS Act and the following were implemented in 1975:

- all basic pensions earned by active and deferred members to December 31, 1975 were increased 10%.
- all basic pensions being paid to retired members and dependents on December 31, 1975 were increased 10%.
- all prior service, supplementary benefit and improved pensions under payment on December 31, 1975 were increased 10%.
- an employer with policemen or firemen who have earned pension under a normal retirement age of both 65 and 60 can now consolidate the pension to a single retirement age of 60.
- an employer can make arrangements for pension contributions to continue for a member who is in receipt of income from an income replacement plan due to illness or accident.
- a widower of a member is now entitled to the same pension benefits on the death of a member as the widow of a member.
- a retired member's pension is now suspended on re-employment only if the position requires membership in the plan.

The Board also examined the possibility of having an employee's service with a previous public sector or municipal employer or an employee's military service counted as pensionable service under the supplementary benefit program. Recommendations on this matter were made in 1975 and the necessary amendments to the Act have been accepted for implementation.

The Board continued to study a possible change to the basic "career average" plan to a plan based on "final average earnings". This proposed change will require a significant increase in contribution rates. During 1975, with the co-operation of employers, the necessary data was gathered to undertake a detailed cost analysis. This study was completed during the

latter part of the year and a report recommending such a change was prepared. This matter is to be further explored with member and employer associations in 1976. It is of interest, however, that generally speaking, the basic career average pension benefit earned by each active member as at December 31, 1975 is equal to or greater than the comparable pension benefit calculated on the "final average earnings" basis for the same period of contributory service under OMERS.

The Board spent considerable time examining the problems of the retired members of OMERS and the effect of the currently high rates of inflation on their fixed retirement income. This examination culminated in a 10% increase to all pensions under payment by OMERS on December 31, 1975. This was the fifth such ad hoc adjustment to pensions in the last six years and was made possible by the favourable financial operation of the Fund. The Board wrote to each participating employer, cautioning that such increases may not always be possible in the future and suggesting that employers should also share the concern of retired employees.

### Investment Program

An amendment to The OMERS Act in December, 1974 authorized the Board to invest, commencing in 1975, a portion of available funds in marketable securities, within the limitations of The Pension Benefits Act.

It was agreed that 20% of the funds available for investment in the period April 1, 1975 to March 31, 1976 (approximately \$36 million) would be invested in marketable securities. The Board spent considerable time during 1975 developing an approach to the investment of these funds and in October actual investments commenced. At year end approximately sixteen million dollars had been invested in marketable securities.

The Board established an Investment Policy Committee comprising seven members. Four members are persons with senior investment experience in the private sector, one is a member of the Board and two members are from the staff of the System. The Committee's responsibilities included the search for investment staff, the study and development of investment policy and the continual monitoring of investment purchases and sales.

The investment policy recommended by the Investment Policy Committee and adopted by the Board included a heavy weighting towards NHA guaranteed mortgages and corporate and government bonds and limited investments in common stocks and real estate. At year end the investments in marketable securities of approximately \$16 million comprised 47% mortgages, 34% bonds, 4% common stock, 6% real estate and 9% in short term investments. The rate of return on this investment mix was approximately 10.50% at year end.

In 1975 the Board invested \$168,150,000 in the special non-marketable Province of Ontario debentures authorized under the Act. A debenture in this amount was issued to the Fund on December 31, 1975 bearing interest at 10.05% and for a term of twenty years. The total investment in the special Province of Ontario debentures at December 31, 1975 amounted to \$809,275,000 and together with \$16,000,000 in marketable securities provided an average rate of return of 8.48% on all funds invested at December 31, 1975.

### ADMINISTRATION

A ten year review of financial and membership statistics is presented in Schedule 1 of this report.

Income of the basic Fund for 1975 was 28% greater than in 1974. The contributions of members and employers increased 25% from \$85,535,000 to \$106,497,000. Investment income of \$59,666,000 was 35% greater than in the previous year. Basic Fund investment income in 1975 represented one-half of member/employer contributions or one-third of the funds generated to meet future pension liabilities.

Benefit expenditures for pensions, refunds and transfers to other pension plans amounted to \$16,070,000 in 1975, an increase of 7% over similar expenditures in 1974. Pension payments increased 35% in 1975, whereas refunds of members' contributions decreased by 10% and transfers to other pension funds decreased 160%. Administrative expenses increased 36% due to additional staffing of 20% to manage the growth of the System and normal increases in costs. Offsetting recoveries for the administration of supplementary benefits and administered plans increased 42% over the previous year resulting in an increase of 34% in administration costs for the basic fund.

The funds available for investment in special Province of Ontario debentures and in marketable securities in 1975 amounted to \$183,894,000, an increase of 33% over the funds invested in 1974.

The funds held at year end under supplementary benefit agreements increased 55% in 1975 from \$36,789,000 to \$56,841,000, reflecting the greater use of this program by participating employers and members to improve their overall pension program.

During 1975, 32 municipal or local board employers commenced to participate in the System, bringing to 951 the total number of participating employers at year end. There are still some 400 municipalities in Ontario not participating in OMERS representing the lesser populated villages and townships. The Board wrote a letter to each non-participating municipality during the year and sent current literature concerning OMERS. This program resulted in the increase in employers in 1975 and the effects of the program will probably extend into 1976. Short of compulsory participation it is unlikely that many more of these smaller municipalities will join OMERS even though the concept of the System was to accommodate this type of municipality.

At December 31, 1975 there were 97,275 active contributing members, 9,821 retired employees receiving pensions and 3,917 former employees who have elected to leave their contributions in the System to obtain a pension at their retirement date. The total active and inactive members of 111,013 represents an increase of 11% over the corresponding number at the end of 1974.

Also during 1975, 17,674 new members were enrolled and 6,301 former members elected a refund of contributions on termination of service.

During the year the field representatives held 17 seminars across the Province and in addition made 377 visits to various employers and member groups to explain the pension benefits of the System. The Board held one special meeting in February with representatives of various employee and employer groups at which many of the existing programs were discussed and the future directions of OMERS were considered.

To further assist the members and employers in understanding the pension benefits of the System the Board up-dated all current literature in 1975 and distributed these to each member and employer.

## SUPPLEMENTARY BENEFITS

This program has been available since 1969 and an increasing number of employers and members are utilizing supplementary benefits to augment the benefits available from the basic OMERS plan or to provide improved past service.

In total, 229 employers covering 25,481 members participate in the supplementary benefit program. There are three basic types of supplementary benefits (see Schedule 4) with options within each type.

One feature of the supplementary benefit program distinguishing it from the basic plan, is that the cost is borne by individual employers and in some instances with the group of employees covered under the agreement.

A brief summary of the utilization of the supplementary benefit program by employers and members to the end of 1975 is as follows:

	Number of	
	Employers	Members
Type I	156	19,009
Type II	72	3,765
Type III*	1	2,707
	229	25,481

\* The one employer noted has a Type III with the basic plan, however 35 other employers covering 5,615 members have combined a Type III with either a Type I or a Type II benefit.

## MANAGED PLANS

In accordance with Section 15 of The OMERS Act, the Board has entered into agreements to manage and administer the pension plans of Ryerson Polytechnical Institute, the Colleges of Applied Arts and Technology and the Elliot Lake Centre for Continuing Education.

The Board recovers the cost of this administration from the individual plans so that there is no charge against the OMERS Fund itself.

Schedule 2 of this Report presents a ten year review of financial and other data pertinent to the administration of these plans. During 1975 the involvement of OMERS staff with these plans increased over prior years with the establishment of committees to oversee their operation, major changes to their benefit structure and actuarial valuations required as at December 31, 1974.

## THE BOARD AND ITS ADVISORS

This is the eighth year that the management and administration of OMERS has been under the direction of an eleven member appointed Board. At the present time six of the members are employees of local government, two are elected persons representing the employers and three are Provincial officials.

There were no changes in the membership on the Board during 1975 and seven members had their terms of office renewed with four of the seven re-appointments effective early in 1976.

During 1975, Mr. Paul Hickey, who had been actively involved with OMERS for almost sixteen years, and had resigned from the Board in 1974, was required to terminate his services as Financial Advisor to the Board due to his responsibilities in the Ministry of Treasury, Economics and Intergovernmental Affairs. Mr. Hickey's vision, determination and expert knowledge allowed him to render a valuable public service to OMERS, and through OMERS to the municipal employees and local government in Ontario.

The other advisors to the Board — Mr. Al Field of The Wyatt Company, actuarial; Dr. Ross MacKenzie, medical; and Mr. Purdy Crawford, Q.C. of Osler, Hoskin and Harcourt, legal — continued to provide an excellent service to the Board and staff of OMERS.

The successful administration of OMERS is due largely to the co-operation received from the par-

ticipating employers and their staff responsible for operating the System locally. Over the years the local administration of OMERS has gradually improved and the Board expresses its appreciation to each of these local officials for their continued effort on the Board's behalf.

## CONCLUSION

1975 has been another year of remarkable growth and development for OMERS.

The number of members increased 10%, the number of pensioners increased 17% and the number of employers increased 4%. A number of important changes were made to the benefits and most important all pensions earned or being paid were increased by 10%. The Board also studied, and made recommendations to the Treasurer of Ontario, the Honourable W. Darcy McKeough, on the possible change of the pension formula from one based on career earnings to final earnings. In addition, the program to invest a portion of funds in marketable securities was successfully launched in 1975.

In retrospect, it is obvious that OMERS has made a significant contribution to the retirement program of local government employees in Ontario. However, guiding the growth and continued improvement of the System during uncertain economic times and during a continuing period of social change is the challenge that will be uppermost in the minds of Board members in the year ahead.

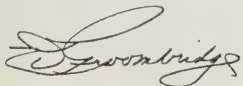
# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Balance Sheet

as at December 31, 1975

	<u>1975</u>	<u>1974</u>
<b>Assets</b>		
Investments (notes 1 and 2)	\$ 825,018,581	\$ 641,125,000
Contributions receivable	13,406,566	9,886,355
Accounts receivable	201,083	152,360
Accrued income	198,438	733
Cash	32,692	14,803
	<u>\$ 838,857,365</u>	<u>\$ 651,179,251</u>
<b>Reserves and Liabilities</b>		
Reserves for :		
Basic benefits	690,645,862	545,303,439
prior service benefits (note 3)	7,653,994	7,381,309
supplementary benefits (note 3)	56,840,673	36,789,136
	<u>\$ 755,140,529</u>	<u>\$ 589,473,884</u>
Deposits from administered pension funds (note 4)	83,687,678	61,640,315
Accounts payable and accruals	23,194	53,476
Pension benefits payable	5,964	11,576
	<u>\$ 838,857,365</u>	<u>\$ 651,179,251</u>

Signed on behalf of the Board



Member



Member



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Statement of the Reserves for the year ended December 31, 1975

	Basic Benefits Reserves	Prior Service Benefits Reserves	Supple- mentary Benefits Reserves	Total	1974
Balance, beginning of the year	\$545,303,439	\$ 7,381,309	\$ 36,799,136	\$589,473,884	\$465,368,909
Increases in reserves					
Contributions of:					
• Members	53,088,042	176,550	2,948,865	56,193,457	44,299,812
• Employers	53,429,020	227,824	19,336,523	72,993,367	55,473,926
	106,497,062	404,374	22,295,388	129,186,824	99,773,738
Income earned from investments (note 1)	55,629,046	373,124	3,664,127	59,666,297	44,353,178
Administrative expenditures recovered from:					
• Supplementary benefits reserves	222,854			222,854	138,570
• Administered pension funds	187,429			187,429	149,273
	410,283			410,283	287,843
Transfers to basic benefits reserve from:					
• Prior service benefits reserves	504,813			504,813	537,235
• Supplementary benefits reserves	5,675,124			5,675,124	4,486,673
	6,179,937			6,179,937	5,023,908
	168,716,328	777,498	25,949,515	195,443,341	149,438,667
Decreases in reserves					
Members' pensions	8,983,141			8,983,141	6,643,769
Members' contributions plus interest refunded	6,710,124			6,710,124	7,386,924
Transfers to other pension funds	377,015			377,015	981,960
Income credited to administered pension funds (note 4)	6,120,757			6,120,757	4,311,927
Transfers to basic benefits reserve for:					
• Pensions present value		456,842	5,271,708	5,728,550	4,775,876
• Members' contributions plus interest refunded		39,464	248,056	287,520	222,612
• Transfer to other pension funds		8,507	155,360	163,867	25,420
			5,675,124		
			222,854	222,854	138,570
Administrative expenditures recovered	1,182,868			1,182,868	866,634
Administrative expenditures	23,373,905	504,813	5,897,978	29,776,696	25,333,692
Balance, end of the year	\$630,645,882	\$ 7,653,994	\$ 56,840,673	\$755,140,529	\$589,473,884

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Statement of Administrative Expenditures

for the year ended December 31, 1975

	1975	1974
<b>Personal services including employee benefits</b>		
Salaries of regular staff	\$ 593,066	\$ 443,060
Salaries of casual staff	3,073	4,019
Pensions	45,843	29,580
Unemployment insurance	7,290	4,513
Workmen's compensation	737	436
Hospital and medical insurance	10,520	3,719
Term life insurance	2,007	1,333
Long-term disability insurance	3,458	1,946
	<u>\$ 665,994</u>	<u>\$ 488,606</u>
<b>Transportation and Communication</b>		
Travel expenses, including overtime meal allowance	\$ 25,293	\$ 18,262
Telephone	20,013	15,638
Postage and express	18,366	16,790
	<u>\$ 63,672</u>	<u>\$ 50,690</u>
<b>Purchases of service</b>		
Actuarial services	\$ 31,385	\$ 38,210
Audit services	13,350	11,000
Medical services	4,005	1,908
Legal services	25,155	2,350
Other professional services	59,253	24,367
Recruitment and training of employees	5,573	7,360
Rental of offices	76,042	56,728
Rental of equipment, including data processing	97,472	54,093
Maintenance and repair of equipment	2,825	2,246
Electricity	2,737	1,996
Insurance	1,425	1,915
Board's services	20,948	32,231
	<u>\$ 340,170</u>	<u>\$ 234,404</u>
<b>Materials and supplies</b>		
Furniture and equipment purchased	\$ 14,718	\$ 24,406
Supplies and stationery	54,548	54,754
Publications for members and employers	41,477	9,734
Alterations to offices	2,289	4,040
	<u>\$ 113,032</u>	<u>\$ 92,934</u>
<b>Total expenditures</b>	<u><u>\$ 1,182,868</u></u>	<u><u>\$ 866,634</u></u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements

for the year ended December 31, 1975

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Investments*

Investments are recorded in the accounts at cost. Gains or losses on their disposal are credited or charged to income. Income from investments is recorded on the accrual basis.

#### *Contributions*

Member and employer contributions received subsequent to the year-end, but which are applicable to the current year, are recorded as receivables.

#### *Benefits*

Reserves are held to provide benefits to be paid to members and pensioners in future years. Payments for benefits are recorded in the year in which such payments are made.

### 2. INVESTMENTS

The following is a description of the investments:

- (a) Province of Ontario debentures issued under section 7(3) of The Ontario Municipal Employees Retirement System Act.

<u>Date of Maturity</u>	<u>Weighted Average Interest Rate</u>	<u>Cost</u>
December 31, 1993	8.06%	\$ 129,500,000
December 31, 1994	9.50%	148,825,000
December 31, 1995	9.70%	182,250,000
December 31, 1996	6.00%	20,100,000
December 31, 1997	6.30%	24,900,000
December 31, 1998	7.21%	33,100,000
December 31, 1999	8.19%	46,700,000
December 31, 2000	9.10%	57,600,000
December 31, 2001	7.85%	75,000,000
December 31, 2002	8.02%	91,300,000
		<hr/>
		\$ 809,275,000



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements

for the year ended December 31, 1975

### 2. INVESTMENTS (continued)

(b) Investments commencing September 30, 1975 under section 7(3b) of the Ontario Municipal Employees Retirement System Act which are subject to the limitations of The Pension Benefits Act.

	Market Value	Cost
Bonds and debentures	\$ 5,387,000	\$ 5,374,310
Mortgages (NHA insured)	7,358,778	7,358,778
Common stock	502,043	500,333
Real estate	1,010,200	1,010,200
Short-term investments	1,499,960	1,499,960
	<u>15,757,981</u>	<u>15,743,581</u>
Total investments, at cost		<u>\$ 825,018,531</u>

### 3. PRIOR SERVICE AND SUPPLEMENTARY BENEFITS RESERVES

Under the terms of The Ontario Municipal Employees Retirement System Act, an employer who participates in OMERS may enter into an agreement with the Board for the provision of prior service benefits and/or of supplementary benefits. Each employer is responsible, individually, for the cost of funding such benefits.

### 4. ADMINISTERED PENSION FUNDS

The administered pension funds (which are administered on behalf of the Colleges of Applied Arts and Technology, the Ryerson Polytechnical Institute and the Elliot Lake Centre for Continuing Education) are credited with amounts which are equal to the income received by the Fund from the investment of the monies deposited in the Fund by the administered pension funds.

### 5. ANTI-INFLATION ACT

The Anti-Inflation Act, effective October 14, 1975, provides for the restraint of prices, profit margins, compensation and dividends. Pursuant to an agreement between the Province of Ontario and the Government of Canada, the staff who administer the Fund are subject to the Act. At December 31, 1975, the Fund had no unrecorded or contingent liability in that respect.

### 6. LEASE COMMITMENT

The administration of the Fund is conducted on leased premises and the Fund has entered into a lease agreement which involves a minimum annual rental of \$96,330 to 1986.

# COOPERS & LYBRAND

CHARTERED ACCOUNTANTS

TELEPHONE (416) 869-1130

CABLES COLYBRAND

TELEX 06-23590

145 KING STREET WEST

TORONTO, ONTARIO, CANADA M5H 1V8

OFFICES THROUGHOUT CANADA

AND IN PRINCIPAL AREAS

OF THE WORLD

April 9, 1976

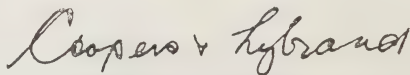
## AUDITORS' REPORT

TO THE

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

We have examined the balance sheet of the Ontario Municipal Employees Retirement Fund as at December 31, 1975 and the statement of the reserves for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Fund as at December 31, 1975 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



CHARTERED ACCOUNTANTS

BOSTON  
CHICAGO  
CLEVELAND  
DALLAS  
DETROIT  
FORT WORTH  
HONOLULU  
HOUSTON  
LOS ANGELES  
MIAMI

THE *Wyatt* COMPANY

ACTUARIES-EMPLOYEE BENEFIT CONSULTANTS-RISK MANAGEMENT CONSULTANTS  
INTERNATIONAL BENEFITS-EMPLOYEE COMMUNICATIONS  
141 ADELAIDE STREET WEST  
TORONTO, ONTARIO M5H 3L5

(416) 862-0393

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Actuarial Certificate at December 31, 1975

Ontario Municipal Employees Retirement Fund

We conducted an actuarial valuation of the above Plan as at December 31, 1974.

The results of the valuation indicated a surplus of \$72.739 million at December 31, 1974. The results also indicated that the existing levels of employee and employer contributions were sufficient to meet the cost of benefits to be earned during the calendar year 1975.

We are of the opinion, therefore, that the assets of the Fund at December 31, 1975 were sufficient to meet all the liabilities of the Plan in respect of services rendered by members up to that date.

Respectfully submitted

THE WYATT COMPANY

*Alvin Field*

March 8, 1976

R. Alvin Field, F.S.A.  
Fellow, Canadian Institute of Actuaries

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

10 Year Review of Financial and Other Data for the years 1966 to 1975 inclusive

Schedule 1

## Ontario Municipal Employees Retirement System

Financial Data (in thousands of dollars)

	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
*Investments	\$825,019	\$641,125	\$503,000	\$377,900	\$286,600	\$211,600	\$154,000	\$107,300	\$ 74,200	\$ 49,300
*Reserves for										
basic benefits	690,646	545,304	432,891	331,754	255,628	191,265	140,233	100,420	69,560	45,051
prior service benefits	7,654	7,381	7,178	6,922	6,894	6,800	6,489	6,430	6,289	5,765
supplementary benefits	56,841	36,789	25,300	15,521	9,753	6,358	4,853	440		
	755,141	589,474	465,369	354,197	272,275	204,423	151,575	107,290	75,849	50,816

## Contributions for

basic benefits	106,497	85,535	72,645	62,766	53,311	44,271	36,055	28,657	23,241	18,171
prior service benefits	404	382	323	283	223	292	200	176	579	1,938
supplementary benefits	22,286	13,857	11,708	6,876	4,261	2,170	4,438	437		

## Interest earned

Interest credited to Administered Pension Funds	59,666	44,353	40,171	23,004	16,605	11,120	7,222	4,669	3,027	1,908
Pensions paid	6,921	4,312	3,262	1,918	1,196	636	273	104	25	15
	8,983	6,644	4,612	3,195	2,117	1,276	801	546	381	225

## Administrative expenditures

Amount, gross	1,183	867	606	542	402	358	306	266	205	236
Amounts recovered under terms of supplementary benefit and administered pension fund agreements	410	288	235	170	122	142	117	46	10	3
Amount, net, as a percentage of contributions for basic benefits	73%	68%	51%	59%	53%	49%	52%	77%	84%	128%

## Members' contributions plus interest refunded

Transfers to other pension funds	6,710	7,367	5,120	3,840	2,833	2,772	2,246	1,501	1,184	915
Rate of interest earned	377	982	194	1,712	79	87	75	189	22	10

## Rate of interest earned

***on the investments made for the year	10.09%	9.81%	8.15%	8.02%	7.85%	9.10%	8.19%	7.21%	6.30%	6.00%
***on all of the investments	8.48%	8.07%	7.74%	7.72%	7.63%	7.27%	6.43%	6.07%	5.63%	5.40%

## Other Data (number of persons or employers)

*Members, contributing										
Municipalities	49,133	44,379	40,983	36,293	33,074	29,217	27,134	24,808	22,702	19,696
School boards	26,455	24,787	24,340	23,533	23,062	20,386	17,507	14,021	11,998	9,941
Other local boards	21,797	19,642	18,481	17,432	16,323	15,390	14,622	13,352	12,354	11,252
	97,375	88,768	83,854	77,258	72,659	64,993	59,263	52,221	47,054	40,769
	3,917	3,291	2,721	2,107	2,223	1,146	949	845	570	272

## \*Members, who have elected a deferred pension

*Pensioners										
Normal	6,639	5,796	4,860	4,069	3,306	2,542	1,815	1,315	941	585
Early	782	641	471	358	297	239	129	99	60	28
Disability	510	409	329	257	189	137	102	71	44	19
Widows and children	1,890	1,548	1,248	979	767	590	430	290	169	92
	9,821	8,394	6,908	5,663	4,502	3,444	2,476	1,775	1,214	725

## \*Employers

Municipalities	434	415	431	418	397	391	393	382	377	376
School Boards	123	116	110	106	100	100	100	100	100	100
Other local boards	394	383	371	367	359	357	355	343	331	306
	951	919	918	895	860	850	871	916	898	859

\*The amount shown for each year as at December 31<sup>st</sup> is cumulative.

\*\*Interest rates for the years 1966 to 1969 inclusive represent the adjusted rates as authorized by The Ontario Municipal Employees Retirement System Amendment Act 1973.

\*\*\*These rates represent the weighted average yield on OMERS investments in each year, assuming the excess interest received in 1973 was actually received in each respective year.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

Schedule 2

10 Year Review of Financial and Other Data for the years 1966 to 1975 inclusive

	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
<b>Administered Pension Funds</b>										
Financial Data (in thousands of dollars)										
*Deposits with the Board	\$83,488	\$ 61,640	\$ 44,839	\$ 31,520	\$ 20,526	\$ 12,128	\$ 6,361	\$ 2,928	\$ 730	\$ 375
*Contributions										
Colleges of Applied Arts and Technology	17,157	13,621	10,585	9,178	7,080	5,367	3,003	1,961	282	
Ryerson Polytechnical Institute	1,652	1,309	1,200	988	796	642	553	364	239	136
Elliott Lake Centre for Continuing Education	23	16	16	18	22	15	33			
	18,832	14,946	11,801	10,184	7,898	6,024	3,589	2,325	521	136
Interest Credited	6,121	4,312	3,262	1,918	1,196	636	273	104	25	15
Pensions paid	176	123	88	70	55	41	22	11	4	1
Administrative expenditures	200	151	123	108	85	122	75	46	10	3
Members' contributions plus interest refunded	1,724	1,603	1,130	653	526	384	202	72	12	4
Transfers to other pension funds	219	179	51	56	8	43	10	3		
Other Data (number of persons)										
*Members, contributing										
Colleges of Applied Arts and Technology	11,307	11,060	10,097	8,282	7,115	6,107	4,198	2,577	1,074	
Ryerson Polytechnical Institute	895	858	835	798	758	639	577	447	321	179
Elliott Lake Centre for Continuing Education	36	16	22	21	21	25	25			
	12,238	11,934	10,954	9,101	7,894	6,771	4,800	3,024	1,395	179
*Members who have elected a deferred pension	5	4	1	2	1	1	1	1		
*Pensioners										
Normal	170	129	101	79	56	41	23	11	9	1
Early	3	1	1	1						
Disability	1	1	1	1						
Widows, widowers and children	15	12	12	8	7	4	3	1	1	
	189	143	115	89	63	45	26	12	10	1

\*The amount shown for each year as at December 31 is cumulative.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Historical Highlights

**1962** — An Act establishing the Ontario Municipal Employees Retirement System was given Royal Assent on April 18th and later in the year Regulations were made under the Act to provide for implementation in 1963.

**1963** — The first members of the System were enrolled on January 1st and the first contributions received one month later. At year end there were 9,860 members enrolled and 311 employers participating in OMERS.

**1965** — Amendments were made for the "locking-in" of contributions as required under The Pension Benefits Act.

The date of July 1, 1965 was established as the date after which all persons engaged by municipalities or local boards must participate in OMERS if they are to receive pension benefits.

Provision was made for OMERS to manage and administer the pension plans of employers to which the System is not applicable.

**1966** — The contributions and benefits were integrated with the contributions and benefits of the Canada Pension Plan.

Employees of public and electric utilities became members of OMERS for the first time.

**1967** — The regulations were amended to introduce the supplementary benefit program which are optional benefits in addition to the basic benefits available to all members.

**1968** — The management and administration of OMERS was placed in the hands of an eleven member Board appointed by the Lieutenant Governor in Council.

The interest rate on the special Provincial debentures issued to OMERS at each year end was increased from 5% to 6 ½ %.

The benefit formula was increased 10% from 2% of career earnings to 2.2% of career earnings.

**1969** — A disabled widower was extended the same benefits as a widow on the death of a member.

**1970** — The interest rate on the special Provincial debentures issued to the Board at each year end was changed from 6 ½ % to reflect the average borrowing costs of the Province during the year.

All basic pension benefits earned or payable on December 31, 1970 were increased by 10%.

**1971** — All basic pension benefits earned or payable at December 31, 1971 were increased by 5%.

In addition to the 50% widows' and disabled widowers' pensions payable on the death of a member, a further pension of 10% for each child of the deceased member to a maximum of 25% was introduced.

**1972** — Councillors became eligible for membership in the System.

All basic pension benefits earned or payable on December 31, 1972 were increased by 5%.

**1973** — Provision was made for an employer to improve the pensions being paid to or on behalf of a retired employee by paying the required funds to the System.

Rates of interest on special Provincial debentures issued to the Board during the years 1963 to 1969 were retroactively adjusted to reflect the average borrowing costs of the Province in each of these years respectively and a special interest payment made to the Fund.

All basic pension benefits earned or payable at December 31, 1973 were increased by 5%.

**1974** — The Act was amended to allow a portion of available funds to be invested in marketable securities under the provisions of The Pension Benefits Act commencing in 1975 with the balance of available funds each year invested in the special Provincial debentures.

**1975** — All basic pension benefits earned by active and deferred members as at December 31, 1975 were increased by 10%.

All pensions being paid to retired members on December 31, 1975 were increased 10%.

A widower of a member became entitled to the same 50% pension as a widow on the death of a member.



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Benefits

### Basic Benefits

**Normal retirement** at age 65 — except in the case of policemen and firemen who may, if the employer elects, retire at age 60.

A normal retirement pension based on earnings while a member of the System

- (a) before January 1, 1966 — 2% of earnings;
- (b) January 1, 1966 to December 31, 1967 — 2% of earnings in excess of the maximum pensionable earnings under the Canada Pension Plan (\$5,000 in 1966 and 1967) and 1.45% of earnings not in excess of such maximum if normal retirement is age 65 or 1.54% if normal retirement is age 60;
- (c) after January 1, 1968 — 2.2% of earnings in excess of the maximum pensionable earnings under the Canada Pension Plan (\$5,200 in 1969) and 1.6% of earnings not in excess of such maximum if normal retirement is age 65 or 1.69% if normal retirement is age 60;
- (d) all pension earned under (a), (b) and (c) above has been increased cumulatively 40% as follows — 1975 - 10%; 1973 - 5%; 1972 - 5%; 1971 - 5%; 1970 - 10%.

A **total and permanent disability retirement pension** after 10 years of municipal service, that is the same amount as the normal retirement pension.

A **pension to a widow or widower** of one-half the member's pension plus 10% for each child under 18 years of age to a maximum of 25% and where no widow or widower a pension of one-half the member's pension to the child or children of the member under 18 years of age.

A **deferred pension**, payable at normal retirement age, if a member ceases to be employed before his normal retirement date — the pension benefits earned by a member under the System vest immediately in the member.

An **early retirement pension**, commencing within the 10 year period before normal retirement age, which is the actuarial equivalent of the normal retirement pension.

A **refund** of the contributions of a member plus interest if the member terminates his employment, except if at termination the member has ten years of continuous service and is over 45 years of age, his contributions made after January 1, 1965 may not be refunded.

### Supplementary Benefits

#### Type I — Final Average Earnings Pension

The Type I Supplementary Pension provides a benefit to a member based on final average earnings and credited service at retirement date. The benefit includes the pension earned under the Basic Plan. When service prior to enrolment in OMERS forms part of the total credited service, any pension earned under a prior service agreement or approved pension plan must be taken into account in determining the total pension payable at retirement. When a member retires prior to age 65 the integrated amount (0.7%) in the formula may be deferred, under a Supplementary Agreement option, until age 65 when the Canada Pension Plan (CPP) benefit is payable.

#### Type II — Increased pension for service up to the end of the preceding year (up-date)

The Type II Supplementary Pension provides a benefit to a member based on average annual earnings and credited service prior to the date of the Agreement. When a member retires prior to age 65 the integrated amount (0.7%) in the formula may be deferred, under a Supplementary Agreement option, until age 65 when the Canada Pension Plan benefit is payable.

The Type II benefit is fixed and includes the benefit earned under the Basic Plan prior to the date of the Agreement. When service prior to enrolment in OMERS forms part of the total credited service, any pension earned under a prior service agreement or approved pension plan must be taken into account in determining the total pension earned prior to the date of the Agreement.

#### Type III — Unreduced Early Retirement Pension

Normally, if a member retires early (within 10 years of normal retirement date) the pension benefit payable is actuarially reduced. The Type III benefit provides for payment of an unreduced early retirement pension if a member retires within 10 years of normal retirement date under certain conditions. These conditions under a Type III Agreement are:

- (a) completion of 30 or more years of continuous service with the employer, or
- (b) retirement due to permanent partial disability as determined by the employer.

The Type III benefit may be provided using only one of the conditions (a) or (b) above. It may be combined with the basic OMERS plan only or with a Type I or Type II Agreement.

**Contributions** — Under supplementary benefits the employer entering into the agreement with the Board is responsible for the additional costs, however, the members covered under the agreement may also contribute to the costs.

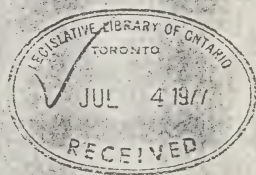




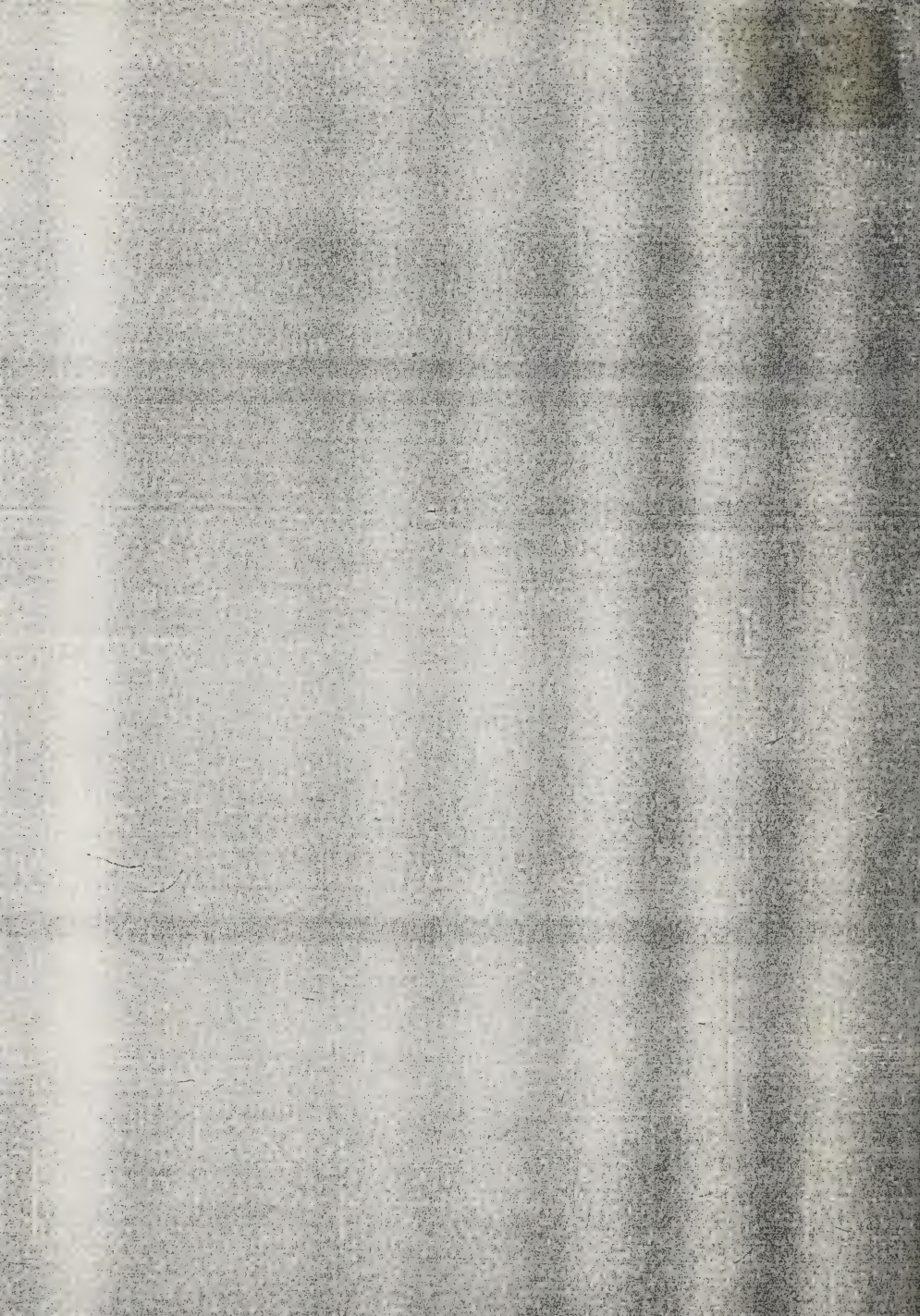
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ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD  
FIFTEENTH ANNUAL REPORT  
1976









**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD**  
2 BLOOR STREET WEST (27TH FLOOR), TORONTO, ONTARIO M4W 3E2. (416) 967-0637

May 15, 1977

Honourable W. Darcy McKeough  
Treasurer of Ontario and Minister  
of Economics and Intergovernmental Affairs  
Frost Building South, Seventh Floor  
Queen's Park  
Toronto, Ontario

Dear Mr. McKeough:

It is my pleasure to present to you, on behalf of the members of the Board, the Annual Report of the Ontario Municipal Employees Retirement Board for the year ended December 31, 1976.

This fifteenth Annual Report on the management and administration of the System reflects a continued growth and development in providing pension benefits for current and retired employees of municipalities and local boards in Ontario. At year end there were 102,000 contributing members of OMERS from 976 local government employers and 11,500 retired employees receiving pensions. Invested assets now total \$1,060,000,000 with \$76,000,000 of these invested in marketable securities under the revised investment program which began late in 1975. The Fund continues to enjoy a sound actuarial and financial position with all pension liabilities matched by invested assets.

Statistics reflect certain aspects of the responsibilities of the Board, but of considerable importance also, are the recommendations for change and improvement to the pension benefits. During 1976 the Board recommended a major improvement to the pension formula, to be introduced on January 1, 1978, and this improvement will provide municipal employees with basically the same pension benefits as those of civil servants and teachers in Ontario.

I know that I speak for each member of the Board in expressing to you our appreciation for your support and assistance during 1976, and for the privilege of serving the employees of municipalities and local boards in Ontario.

All of which is respectfully submitted.

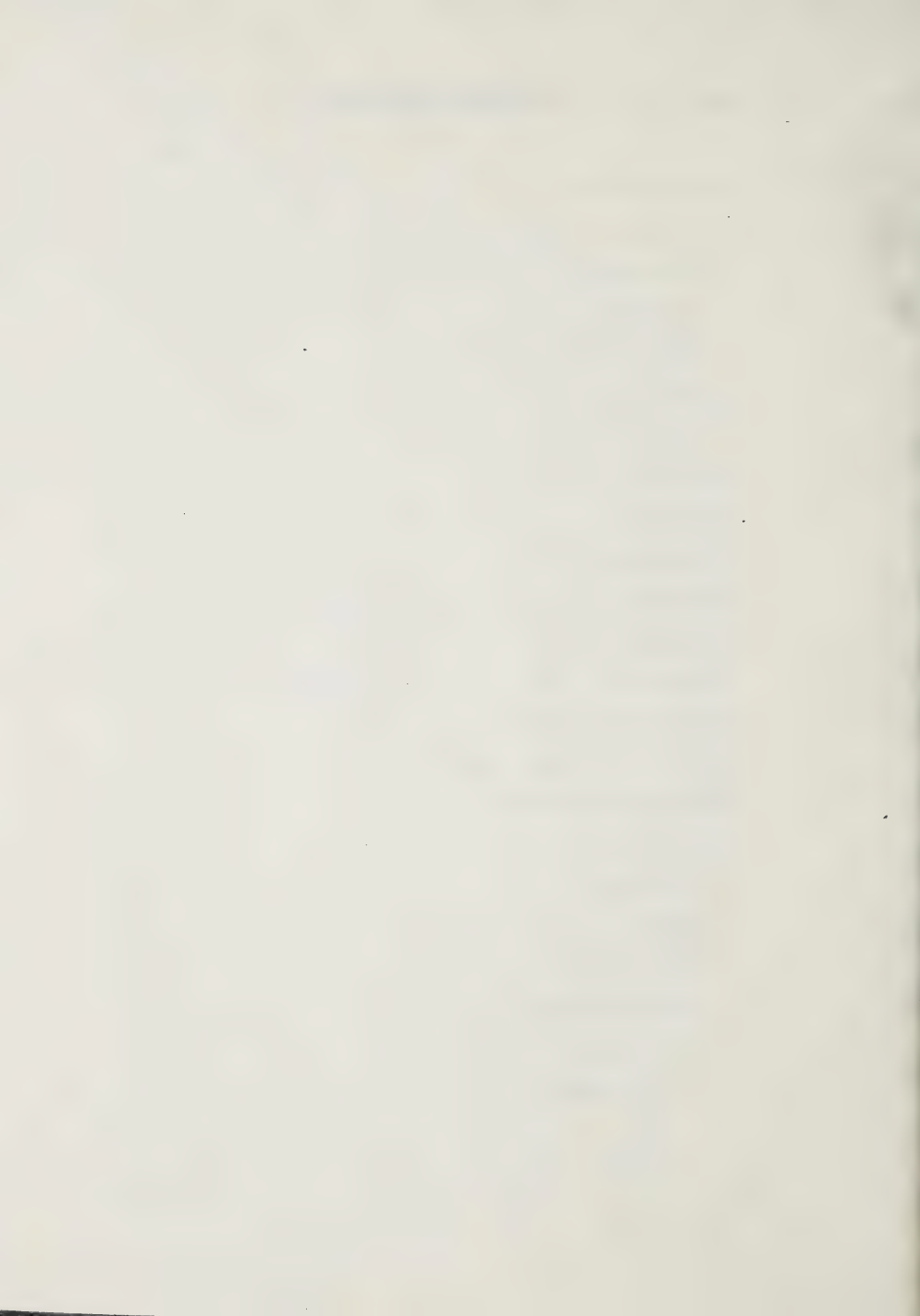
Yours truly,

Ronald F. Bevan  
Chairman



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# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

as at December 31, 1976

## BOARD MEMBERS

Mr. L. D. Groombridge, Chairman  
City Manager, City of Chatham

Mr. R. F. Bevan, Vice-Chairman  
Staff Inspector  
Niagara Regional Police Force

Mr. E. Hothersall  
Secretary-Treasurer  
Ontario Professional Fire Fighters' Association

Mr. C. R. Bernardi  
Director of Personnel and Labour Relations  
City of Sault Ste. Marie

Mr. G. McIntyre  
Ministry of Treasury, Economics and  
Intergovernmental Affairs

Mr. G. E. Boyce  
Superintendent of Business Administration  
Sudbury Board of Education

Mr. J. M. McLeish  
Administrator, Housing Department  
City of London

Mr. S. P. Dobbin  
Employee,  
Toronto Board of Education

Mrs. G. Remus (deceased)  
Alderman,  
City of Thunder Bay

Mr. E. C. Hill  
Trustee,  
Huron County Board of Education

Mr. G. D. Spry  
Ministry of Natural Resources

## INVESTMENT POLICY COMMITTEE OF THE BOARD

Mr. R. M. MacIntosh, Chairman  
Bank of Nova Scotia

Mr. D. A. Beggs  
Director of Investments

Mr. N. J. Short  
Guardian Capital Group Limited

Mr. H. M. Cunningham  
Canada Packers Limited

Mr. G. D. Spry  
Member of the Board

Mr. A. W. Reeve  
Executive Director

Mr. J. C. C. Wansbrough, Vice-Chairman  
National Trust Company Limited

## ADVISORS

The Wyatt Company  
Actuaries

Coopers and Lybrand  
Auditors

Mr. Purdy Crawford, Q.C.  
Osler, Hoskin and Harcourt  
Solicitor

Dr. R. G. MacKenzie  
Medical Advisor

## STAFF

Mr. A. W. Reeve  
Executive Director

Mr. D. W. Barron  
Director of Policy Planning

Mr. D. A. Beggs  
Director of Investments

Mr. G. A. Tyson  
Director of Pension Administration







# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

## 1976 ANNUAL REPORT

### INTRODUCTION

The Ontario Municipal Employees Retirement Board is responsible for the management and administration of OMERS and for recommending changes to the Act and Regulations.

These responsibilities include organization and staffing, establishment of standing and ad hoc committees and the appointment of members, research in benefit development, actuarial valuation and review, financial reporting, participation of employers, enrolment of members, the receipt and investment of funds, the calculation and payment of benefits and the maintenance of individual member records and contributions.

The pension program of OMERS divides into four parts:

- (i) the basic OMERS plan to which each participating employer and each member contributes;
- (ii) the supplementary benefit program which provides benefits in addition to the basic plan on an optional basis to individual employers and groups of employees of these employers;
- (iii) prior service agreements which absorbed plans in existence when OMERS was established, and
- (iv) a scheme whereby individual employers may increase the pensions of their retired municipal employees.

In addition to these responsibilities, the Board also administers under agreement, separate pension plans of Ryerson Polytechnical Institute, the Colleges of Applied Arts and Technology and the Elliot Lake Centre for Continuing Education.

This report outlines the Board's activities during 1976 including changes to the pension benefits, the further development of the investment program and the administration of the basic plan, the supplementary benefit program and the managed plans.

### MAJOR ACTIVITIES IN 1976

#### Benefit Changes

A number of amendments were made to The OMERS Act and Regulations on the recommendation of the Board during 1976, summarized as follows:

- the definition of an employer eligible to participate in the System was expanded to include an association of employees.
- benefit changes in the Regulations can now be made retroactive in cases considered appropriate and a prior change in eligibility for spouses pensions was made effective September 1, 1972.
- the composition of the Board was changed by reducing the number of officials of the Province by one and increasing the number of employee representatives by one.
- the provision for employee transfer of pension credits to and from the System was broadened to include non-government bodies participating in a government pension plan.
- optional service, which includes war service and other governmental service was included in the supplementary benefit program and allows a member to have this service included as pensionable service under that program and to contribute towards the cost.

During 1976 the Board spent considerable time and study on the recommendations to change the basic pension formula from the present career average basis to a final or highest average earnings basis. The Board then communicated this proposed major improvement to OMERS to all members and employers and held two meetings with representatives of members and employers to discuss details of the change and consider their reactions. Briefs from various organizations were also studied and discussed and final recommendations were substantially completed at year end.

## Delegations and Meetings

Each year various organizations of members and, on occasion, employers, submit briefs to the Board for consideration and this is followed by attendance of the organization at a Board meeting. The Board welcomes and encourages this form of dialogue from the participants of OMERS.

Three delegations, from the Ontario Division of the Canadian Union of Public Employees, the International Brotherhood of Electrical Workers and the Ontario Municipal Retirees Association, attended Board meetings in 1976 after submitting a well documented brief outlining concerns about OMERS and improvements or changes they thought appropriate.

The Board, a few years ago, began meeting once a year with representatives of municipal and local board associations, employee associations and unions representing employees of local government, to examine various proposals for OMERS and to create an open forum for discussion of the future direction of OMERS. During 1976 the Board held two meetings with this group of representatives of members and employers, to consider the change to a final average earnings pension formula for the basic plan and the resultant amendments this change will require to the supplementary benefit program.

The investment portfolio growth, at cost, from 1975 year end to 1976 year end was 28.5% distributed as follows:

	<u>December 31, 1975</u> (000's)	<u>1976</u> (000's)	<u>December 31, 1976</u> (000's)
<u>Marketable Securities</u>			
Bonds and Debentures	\$ 6,874	\$ 20,404	\$ 27,278
Mortgages	7,359	31,217	38,576
Equities	501	7,786	8,287
Real Estate	1,010	1,533	2,543
	<u>\$ 15,744</u>	<u>\$ 60,940</u>	<u>\$ 76,684</u>
<u>Non-Marketable Securities</u>			
Special Provincial Debentures	\$809,275	\$174,500	\$ 983,775
	<u>\$825,019</u>	<u>\$235,440</u>	<u>\$1,060,459</u>

The percentage distribution between classes of investments as at December 31, 1976 of the portion of the portfolio invested in marketable securities at cost, was as follows:

<u>Class of Investment</u>	<u>Amount of Cost</u>	<u>Percentage</u>
Bonds and Debentures	\$27,277,875	35.6%
Mortgages	38,575,847	50.3
Equities	8,286,878	10.8
Real Estate	2,543,505	3.3
	<u>\$76,684,105</u>	<u>100.0</u>

The active participation of those attending these special meetings and the benefit to the Board of the comments and discussions, suggest that this important communication link should be maintained in the future. These meetings should not discourage delegations to Board meetings as the Board also welcomes this form of communication from the members and employers.

## Investment Program

The funds available for investment by the Board each year are derived from the contributions of the members, the matching employer contributions and the interest and dividends received from the investments, less the benefits and the administrative expenses paid. Other funds are received under supplementary agreements, prior service agreements and from the three managed plans, and all of the funds are pooled together for investment purposes with separate accounting records maintained for the distribution of income to the various plans and reserves.

During 1976 the Board had \$235,440,524 available for investment and 26% of this amount was invested in marketable securities under the limitations of The Pension Benefits Act, and the remainder, 74% was invested in special non-marketable Provincial debentures.

This portion of the portfolio invested in marketable securities is managed by the staff of OMERS with policy development, investment strategy and monitoring of activities carried out by the Investment Policy Committee of the Board. The above distribution of asset mix is within the policies developed by the Committee and approved by the Board.

At year end the investments in marketable securities were yielding 10.28% and the special provincial debentures were yielding 8.91%. The average yield on the entire portfolio at year end was 8.92% without taking into account any unrealized capital appreciation on the marketable portion of the portfolio. The non-marketable debenture issued by the Province at December 31, 1976 in the amount of \$174,500,000 bears interest at 10.28% for a term of 26 years.

## ADMINISTRATION

### Finance

A ten year review of financial and membership statistics is presented in Schedule 1 of this Report.

The income of the basic OMERS plan for 1976 was 24% greater than for 1975. The contributions of members and employers increased 19.5% from \$106,497,062 to \$127,315,157; income earned from investments increased 32%, from \$49,508,289 to \$65,560,465 and other income from management fees and transfers from prior service and supplementary agreements increased 36% or \$2,351,858.

Total income for the basic OMERS plan in 1976 amounted to \$201,817,700 with 31.5% being member contributions, 31.5% employer matching contributions, 32.5% income earned on investments and 4.5% other income.

The expenditures of the basic OMERS plan were \$23,387,724 in 1976, an increase of 35.5% over 1975 expenditures. Pension payments, refunds of member contributions with interest and transfers to other plans represented 94% of the expenditures and administrative expenses 6% of expenditures. Benefit payments in 1976 were 37% higher than in 1975. Administrative expenses increased 20.5% but after deducting management fees, the actual administrative expense for the basic OMERS plan increased 11%, including the additional costs of operating the investment program.

Funds held under supplementary agreements on behalf of individual employers and members covered under the agreements increased 54%, from \$56,840,673 at the end of 1975 to \$87,713,595 at the end of 1976. Funds held under prior service agreements for individual employers and members increased from \$7,653,994 to \$8,246,986 during 1976, an increase of 11%.

Funds held in trust for the three managed plans amounted to \$112,887,168 at December 31, 1976, an increase of 13% over funds held at the end of 1975 for these plans.

### Membership

During 1976, 25 new employers began participation in OMERS, and at year end 450 municipalities, 123 school boards and 403 other local boards were participating in the System for a total of 976 participating employers.

On December 31, 1976 there were 102,432 contributing members, 11,471 persons receiving a monthly pension and 3,398 former employees who had elected to leave their contributions in OMERS and receive a pension on their normal retirement date. The total active and inactive membership of OMERS at year end was 117,301, an increase of 5.5% from the total membership at the beginning of the year.

During 1976, 14,885 new members were enrolled in the System and 7,016 former members elected a refund of contributions with interest on termination of service.

The staff visited 211 employers and member groups in 1976 to explain supplementary benefits and to introduce new participants to the OMERS pension plan.

One of the primary reasons for the establishment of OMERS was to bring an adequate level of pension benefit at reasonable employee and employer cost to the smaller municipalities and local boards by combining the experience of the larger local government units with the smaller. At the present time, 545 participating employers (60% of all participating employers) have fewer than 25 employees and in total represent less than 5% of the total membership. At the other end of the scale, there are 48 employers

(5%) with 500 or more employees, representing over 50% of the total membership. These statistics reflect the attainment of one of the original objectives of OMERS, even though 395 of the smaller villages and townships in Ontario still do not participate in OMERS and presumably do not provide pensions to their employees.

### Supplementary Benefits

The supplementary benefit program was introduced in 1969 to allow individual employers and their employees or any class of employees to augment the basic plan by adding past service coverage, improved future service pensions or special early retirement provisions. The costs are borne entirely by the employer less any contributions of the members. At the end of 1976, the Board had entered into 240 agreements for the provision of supplementary benefits. Within an agreement there can be separate plans for different classes of employees and as at December 31, 1976 there were 280 such plans.

The following is a summary of these plans and the number of members covered under each type of supplementary benefit.

	Number of	
	<u>Plans</u>	<u>Members</u>
Type I		
(past and future service)		
+ Type III	28	
2% benefit rate		5,219
1 3/4% benefit rate		275
Type I		
(past and future service)	93	
2% benefit rate		5,192
1 3/4% benefit rate		3,437
1 1/2% benefit rate		154
Type I		
(future service)		
+ Type III	2	
2% benefit rate		10
Type I		
(future service)		52
2% benefit rate		5,059
1 3/4% benefit rate		610
Type I		
(past service)	6	
2% benefit rate		30
1 3/4% benefit rate		35

Type II		
(past and future service)		
+ Type III	6	
2% benefit rate		1,027
1 3/4% benefit rate		19
Type II		
(past and future service)		
+ Partial Type III	2	
2% benefit rate		1,179
Type II		
(past and future service)	43	
2% benefit rate		1,201
1 3/4% benefit rate		67
1 1/2% benefit rate		8
Type II		
(past service)	48	
2% benefit rate		209
1 3/4% benefit rate		63
1 1/2% benefit rate		1
special benefit rates		2,212
Type III with basic	<u>2</u>	<u>3,038</u>
	<u>280</u>	<u>29,045</u>

One employee group added the war service portion of optional service to a Type I plus Type III supplementary benefit plan during 1976.

### MANAGED PLANS

The Board has entered into agreements to manage and administer separately from OMERS, the pension plans of Ryerson Polytechnical Institute, the Colleges of Applied Arts and Technology and the Elliot Lake Centre for Continuing Education in accordance with the provisions of Section 15 of The OMERS Act.

The Board recovers the cost of this administration from the individual plans so there is no charge against the operation of OMERS.

Schedule 2 of this report presents a ten year review of financial and other data related to the growth and development of these plans. During 1976 the OMERS staff worked closely with those responsible for the policy development aspects of the plans and provided reports and studies on request. The main functions of the Elliot Lake Centre for Continuing Education were transferred, in 1976, to Sault College of Applied Arts and Technology along with the majority of the staff of the Centre, and the contributions and pension credits of these employees were transferred to the College's pension plan.



Also during 1976, the transfer of the contributions and pension credits of nurses from teaching hospitals to the Colleges pension plan were finalized.

## THE BOARD AND ITS ADVISORS

The Board membership was changed in 1976 and now comprises two elected municipal or local board representatives, seven employee representatives and two officials of the Province of Ontario. Three new members joined the Board in 1976 to replace members no longer eligible for membership or who had resigned during the year. The three new Board members, Messrs. Bernardi, Boyce and Dobbin are all employees of municipalities or school boards in Ontario.

Mrs. Grace Remus, an alderman in the City of Thunder Bay, chose not to stand for re-election to city council and thereby ended her term of office on the Board as at December 31, 1976. Her untimely death in January, 1977 saddened both the staff and other Board members who had appreciated her contribution and enjoyed her association with OMERS during the last two years.

The Board continued the valuable services of the actuarial advisor Mr. R. A. Field of The Wyatt Company, the legal advisor Mr. Purdy Crawford, Q.C. of Osler, Hoskin and Harcourt and the medical advisor, Dr. R. G. MacKenzie. The firm of Coopers and Lybrand continued as the auditors of the Fund.

It would be remiss not to mention the valued contribution of the dedicated staff of OMERS which

numbers only fifty-five, and their diligent efforts to provide a superior service to the members and participating employers. Another group of people require a special vote of thanks — the employees of the 976 participating employers responsible for the day to day administration of OMERS. Much of the administrative success of OMERS is due to the excellent work of both the staff of OMERS and of each employer.

## CONCLUSION

1976 was one of the more important years in the fourteen year history of OMERS with the final decisions being taken to change and improve the pension formula to one based on a member's final or highest average earnings. This will mean that the local government employees in Ontario will, after January 1, 1978, benefit from basically the same level of pensions as civil servants, teachers and other governmental employees.

1976 was also the year when the membership of OMERS exceeded one hundred thousand and the investments exceeded one billion dollars.

Membership of the Board of OMERS is rewarding and demanding and the present climate of public and private pensions in Ontario and Canada suggests that the next few years will prove to be as challenging as the past in the continued development of this retirement program for and on behalf of the many employees of local government in Ontario.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Balance Sheet

as at December 31, 1976

	<u>1976</u>	<u>1975</u>
<b>Assets</b>		
Investments (notes 1 and 2)	\$ 1,060,459,105	\$ 825,018,581
Contributions receivable	16,012,390	13,406,566
Accounts receivable	240,961	201,088
Accrued income	1,212,661	198,438
Cash	43,356	32,692
	<u>\$ 1,077,968,473</u>	<u>\$ 838,857,365</u>

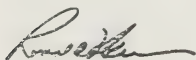
## Reserves and Liabilities

### Reserves for:

basic benefits	869,075,838	690,645,862
prior service benefits (note 3)	8,246,986	7,653,994
supplementary benefits (note 3)	<u>87,713,595</u>	<u>56,840,673</u>
	\$ 965,036,419	\$ 755,140,529

Deposits from administered pension funds (note 4)	112,887,168	83,687,678
Accounts payable and accruals	32,030	23,194
Pension benefits payable	<u>12,856</u>	<u>5,964</u>
	<u>\$ 1,077,968,473</u>	<u>\$ 838,857,365</u>

Signed on behalf of the Board



Member



Member

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Statement of the Reserves

for the year ended December 31, 1976

	Basic Benefits Reserves	Prior Service Benefits Reserves	Supple- mentary Benefits Reserve	Total	1975
Balance, beginning of the year	\$ 690,645,862	\$ 7,653,994	\$ 56,840,673	\$ 755,140,529	\$ 589,473,884
Increases in reserves					
Contributions of:					
• Members	63,494,696	420,816	3,657,825	67,473,337	56,193,457
• Employers	63,820,461	405,789	29,459,407	93,685,657	72,993,367
	127,315,157	826,605	33,017,232	161,158,994	129,186,824
Income earned from investments (note 1)	74,209,005	404,020	5,923,422	80,536,447	59,666,297
Administrative expenditures recovered from:					
• Supplementary benefits reserve	330,067			330,067	222,854
• Administered pension funds	236,713			236,713	187,429
	566,780			566,780	410,283
Transfers to basic benefits reserve from:					
• Prior service benefits reserves	637,633			637,633	504,813
• Supplementary benefits reserve	7,737,665			7,737,665	5,675,124
	8,375,298			8,375,298	6,179,937
	210,468,240	1,230,625	38,940,654	250,637,519	195,443,341
Decreases in reserves					
Members' pensions	12,867,075			12,867,075	8,983,141
Members' contributions plus interest refunded	6,508,131			6,508,131	6,710,124
Transfers to other pension funds	585,624			585,624	377,015
Interest credited to administered pension funds (note 4)	8,648,540			8,648,540	6,120,757
Transfers to basic benefits reserve for:					
• Pensions present value		601,809	7,322,836	7,924,645	5,728,550
• Members' contributions plus interest refunded		26,889	380,863	407,752	287,520
• Transfer to other pension funds		8,935	33,968	42,901	163,867
			330,067	330,067	222,854
Administrative expenditures recovered					
Administrative expenditures	1,426,894	637,633	8,067,732	1,426,894	1,182,868
	32,036,264			40,741,629	29,776,696
	\$ 869,075,838	\$ 8,246,986	\$ 87,713,595	\$ 965,036,419	\$ 755,140,529
Balance, end of the year					

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Schedule of Administrative Expenditures

for the year ended December 31, 1976

	<u>1976</u>	<u>1975</u>
<b>Personal services including employee benefits</b>		
Salaries of regular staff	\$ 726,852	\$ 593,066
Salaries of casual staff	11,088	3,073
Pensions	40,385	45,843
Unemployment insurance	9,897	7,290
Workmen's Compensation	1,090	737
Hospital and medical insurance	20,668	10,520
Term-life insurance	4,504	2,007
Long-term disability insurance	5,372	3,458
	<u>\$ 819,856</u>	<u>\$ 665,994</u>
<b>Transportation and Communication</b>		
Travel expenses, including overtime meal allowances	\$ 23,309	\$ 25,293
Telephone	28,404	20,013
Postage and express	29,645	18,366
	<u>\$ 81,358</u>	<u>\$ 63,672</u>
<b>Purchases of service</b>		
Actuarial services	\$ 34,725	\$ 31,385
Audit services	17,450	13,350
Medical services	4,230	4,005
Legal services	20,849	25,155
Other professional services	32,678	59,253
Recruitment and training of employees	6,527	5,573
Rental of offices	104,049	76,042
Rental of equipment, including data processing	84,759	97,472
Maintenance and repair of equipment	3,141	2,825
Electricity	4,717	2,737
Insurance	1,212	1,425
Board's services	19,826	20,948
	<u>\$ 334,163</u>	<u>\$ 340,170</u>
<b>Materials and supplies</b>		
Furniture and equipment purchased	\$ 30,798	\$ 14,718
Supplies and stationery	75,475	54,548
Publications for members and employers	35,243	41,477
Alterations to offices	50,000	2,289
	<u>\$ 191,516</u>	<u>\$ 113,032</u>
<b>Total expenditures</b>	<u><u>\$ 1,426,893</u></u>	<u><u>\$ 1,182,868</u></u>



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements

for the year ended December 31, 1976

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Investments*

Investments are recorded in the accounts at cost. Gains or losses on their disposal are credited or charged to income. Income from investments is recorded on the accrual basis.

#### *Contributions*

Member and employer contributions received subsequent to the year-end, but which are applicable to the current year, are recorded as receivables.

#### *Benefits*

Reserves are held to provide for benefits to be paid to members and pensioners in future years. Payments for benefits are recorded in the year in which such payments are made.

### 2. INVESTMENTS

The following is a description of the investments:

(a) Province of Ontario debentures issued under section 7(3) of The Ontario Municipal Employees Retirement System Act.

<u>Date of Maturity</u>	<u>Weighted Average Interest Rate</u>	<u>Cost</u>
December 31, 1993	8.06%	\$129,500,000
December 31, 1994	9.50%	148,825,000
December 31, 1995	9.70%	182,250,000
December 31, 1996	6.00%	20,100,000
December 31, 1997	6.30%	24,900,000
December 31, 1998	7.21%	33,100,000
December 31, 1999	8.19%	46,700,000
December 31, 2000	9.10%	57,600,000
December 31, 2001	7.85%	75,000,000
December 31, 2002	9.50%	265,800,000
		<u>\$983,775,000</u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements

for the year ended December 31, 1976

### 2. INVESTMENTS (continued)

(b) Investments commencing September 30, 1975 under section 7(3b) of The Ontario Municipal Employees Retirement System Act which are subject to the limitations of The Pension Benefits Act:

	1976		1975	
	Market Value	Cost	Market Value	Cost
Bonds and Debentures	\$ 28,479,000	\$ 27,277,875	\$ 6,886,960	\$ 6,874,270
Mortgages	38,575,847	38,575,847	7,358,778	7,358,778
Equities	8,693,900	8,286,878	502,043	500,333
Real Estate	2,543,505	2,543,505	1,010,200	1,010,200
	<u>\$ 78,292,252</u>	<u>\$ 76,684,105</u>	<u>\$ 15,757,981</u>	<u>\$ 15,743,581</u>
Total Portfolio, at cost		\$ 1,060,459,105		\$ 825,018,581
Total Portfolio, at market	\$1,062,067,252		\$ 825,032,981	

Market value is quoted value for bonds and debentures and equities, the principal outstanding for mortgages and cost for real estate.

### 3. PRIOR SERVICE AND SUPPLEMENTARY BENEFITS RESERVES

Under the terms of The Ontario Municipal Employees Retirement System Act, an employer who participates in OMERS may enter into an agreement with the Board for the provision of prior service benefits and/or of supplementary benefits. Each employer is responsible, individually, for the cost of funding such benefits.

### 4. ADMINISTERED PENSION FUNDS

The administered pension funds (which are administered on behalf of the Colleges of Applied Arts and Technology, the Ryerson Polytechnical Institute and the Elliot Lake Centre for Continuing Education) are credited with amounts which are equal to the income received by the Fund from the investment of the monies deposited in the Fund by the administered pension funds.

### 5. ANTI-INFLATION ACT

The Anti-Inflation Act, effective October 14, 1975, provides for the restraint of prices, profit margins, compensation and dividends. Pursuant to an agreement between the Province of Ontario and the Government of Canada, the staff who administer the Fund are subject to the Act. At December 31, 1976, the Fund had no unrecorded or contingent liability in that respect.

### 6. LEASE COMMITMENT

The administration of the Fund is conducted on leased premises and the Fund has entered into a lease agreement which involves a minimum annual rental of \$96,330 to 1986.

# COOPERS & LYBRAND

CHARTERED ACCOUNTANTS

TELEPHONE (416) 869-1130

CABLES COLYBRAND

TELEX 06-23590

145 KING STREET WEST

TORONTO, ONTARIO, CANADA. M5H 1V8

OFFICES THROUGHOUT CANADA  
AND IN PRINCIPAL AREAS  
OF THE WORLD

April 4, 1977

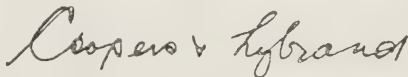
## AUDITORS' REPORT

TO THE

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

We have examined the balance sheet of the Ontario Municipal Employees Retirement Fund as at December 31, 1976 and the statement of the reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1976 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



CHARTERED ACCOUNTANTS

BOSTON  
CHICAGO  
CLEVELAND  
DALLAS  
DETROIT  
FORT WORTH  
HONOLULU  
HOUSTON  
LOS ANGELES  
MIAMI

THE *Wyatt* COMPANY

ACTUARIES-EMPLOYEE BENEFIT CONSULTANTS-RISK MANAGEMENT CONSULTANTS  
INTERNATIONAL BENEFITS-EMPLOYEE COMMUNICATIONS  
141 ADELAIDE STREET WEST  
TORONTO, ONTARIO M5H 3L5

(416) 562-0393

MINNEAPOLIS  
ST. PAUL  
NEW YORK  
ORLANDO  
PHILADELPHIA  
SAN FRANCISCO  
WASHINGTON  
MONTREAL  
OTTAWA  
TORONTO  
VANCOUVER

Actuarial Certificate at December 31, 1976

Ontario Municipal Employees Retirement Fund

The most recent actuarial valuation of the above Plan was conducted at December 31, 1974 using the unit credit cost method.

The results of the valuation indicated a surplus of \$72.7 million at December 31, 1974. Since that time all pensions, both for active members and retired members were increased by 10% reducing the surplus to \$29.1 million. The results of the valuation at December 31, 1974 adjusted to reflect the subsequent amendment indicate that the existing levels of employee and employer contributions were sufficient to meet the cost of benefits to be earned each calendar year until the next actuarial valuation is made.

We are of the opinion, therefore, that the assets of the Fund at December 31, 1976 were sufficient to meet all the liabilities of the Plan in respect of services rendered by members up to that date.

Respectfully submitted

THE WYATT COMPANY

*R. Alvin Field*

March 7, 1977

R. Alvin Field, F.S.A.  
Fellow, Canadian Institute of Actuaries

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

Schedule 1

10 Year Review of Financial and Other Data for the years 1967 to 1976 inclusive

## Ontario Municipal Employees Retirement System

Financial Data (in thousands of dollars)

	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
* Investments - Provincial debentures	\$983,775	\$809,275	\$641,125	\$503,000	\$377,900	\$286,600	\$211,600	\$154,000	\$107,300	\$ 74,200
* Reserves for:	76,684	15,744								

basic benefits	869,076	690,646	545,304	432,891	331,754	255,628	191,265	140,233	100,420	69,560
prior service benefits	8,247	7,634	7,381	7,178	6,922	6,894	6,800	6,489	6,430	6,289
supplementary benefits	87,713	56,841	36,789	25,300	15,521	9,753	6,358	4,853	440	
	965,036	755,141	589,474	465,369	354,197	272,275	204,423	151,575	107,290	75,849

### Contributions for

basic benefits	127,315	106,497	85,535	72,645	62,766	53,311	44,271	36,055	28,657	23,241
prior service benefits	827	404	382	323	383	223	292	200	236	579
supplementary benefits	33,017	22,286	11,708	6,876	4,261	2,170	4,438	40,493	29,330	23,820

### Interest earned

	161,159	129,187	99,774	84,676	70,025	57,795	46,733	40,493	29,330	23,820
Interest credited to Administered Pension Funds	80,536	59,666	44,353	40,171	23,004	16,605	11,120	7,222	4,669	3,027

### Pensions paid

	8,649	6,121	4,312	3,262	1,918	1,176	836	273	104	25
Administrative expenditures	12,867	8,993	6,644	4,612	3,195	2,117	1,276	801	546	381

### Amount, gross

Amount, net as a percentage of contributions for	1,427	1,183	867	606	542	402	358	306	266	205
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### Amount, net as a percentage of contributions for

basic benefits	567	410	288	235	170	122	142	117	46	10
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### Members' contributions plus interest refunded

Transfers to other pension funds	0.68%	0.73%	0.68%	0.51%	0.59%	0.53%	0.49%	0.52%	0.77%	0.84%
Rate of interest earned	1,586	377	982	194	1,712	79	87	75	189	22

### Rate of interest earned

** on the investments made for the year	10.28%	10.09%	9.81%	8.15%	8.02%	7.85%	9.10%	8.19%	7.21%	6.30%
*** on all of the investments	8.92%	8.48%	8.07%	7.74%	7.72%	7.63%	7.27%	6.43%	6.07%	5.93%

### Other Data (number of persons or employers)

* Members, contributing	52,538	49,133	44,279	40,983	36,293	33,074	29,217	27,134	24,808	22,702
Municipalities	27,026	26,345	24,787	24,390	23,533	23,062	20,386	17,507	14,021	11,998
School boards	22,868	21,797	19,642	18,481	17,432	16,523	15,390	14,622	13,352	12,354
Other local boards	102,432	97,275	88,708	83,854	77,250	72,659	64,993	59,263	52,271	47,054

### \* Members, who have elected a deferred pension

* Pensioners	3,398	3,124	3,291	2,721	2,107	2,223	1,146	949	845	570
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### Normal

Early	7,552	6,639	5,796	4,860	4,069	3,306	2,542	1,815	1,315	941
Disability	999	732	641	471	358	240	175	129	99	60
Widows, widowers and children	623	510	409	329	257	189	137	102	71	44
	2,977	1,890	1,548	1,248	979	767	590	430	290	169

### \* Employers

Municipalities	11,471	9,821	8,394	6,908	5,663	4,502	3,444	2,475	1,775	1,214
School Boards	450	434	415	431	418	397	391	393	382	377
Other local boards	123	123	121	116	110	104	100	123	191	190
	403	394	383	371	367	359	359	355	343	331
	976	951	919	918	895	860	850	871	916	858

\* The amount shown for each year as at December 31 is cumulative.

\*\* Interest rates for the years 1967 to 1969 inclusive represent the adjusted rates as authorized by The Ontario Municipal Employees Retirement System Amendment Act 1973.

\*\*\* These rates represent the weighted average yield on OMERS investments in each year assuming the excess interest received in 1973 was actually received in each respective year.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

Schedule 2

10 Year Review of Financial and Other Data for the years 1967 to 1976 inclusive

## Administered Pension Funds

Financial Data (in thousands of dollars)

\*Deposits with the Board

\*Contributions

Colleges of Applied Arts and Technology  
Ryerson Polytechnical Institute  
Elliott Lake Centre for Continuing Education

Interest Credited

Pensions paid

Administrative expenditures

Members' contributions plus interest refunded

Transfers to other pension funds

Other Data (number of persons)

\*Members, contributing

Colleges of Applied Arts and Technology  
Ryerson Polytechnical Institute  
Elliott Lake Centre for Continuing Education

\*Members who have elected a deferred pension

\*Pensioners

Normal  
Early  
Disability  
Widows, widowers and children

\*The amount shown for each year as at December 31 is cumulative.

	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
<b>Administered Pension Funds</b>										
Financial Data (in thousands of dollars)										
*Deposits with the Board	\$112,887	\$83,688	\$ 61,640	\$ 44,839	\$ 31,520	\$ 20,526	\$ 12,128	\$ 6,361	\$ 2,928	\$ 730
*Contributions										
Colleges of Applied Arts and Technology	21,705	17,157	13,621	10,585	9,178	7,080	5,367	3,003	1,961	1,282
Ryerson Polytechnical Institute	1,968	1,652	1,309	1,200	988	796	642	553	364	239
Elliott Lake Centre for Continuing Education	13	23	16	16	18	22	15	33		
	<u>23,686</u>	<u>18,832</u>	<u>14,946</u>	<u>11,801</u>	<u>10,184</u>	<u>7,898</u>	<u>6,024</u>	<u>3,589</u>	<u>2,325</u>	<u>1,521</u>
Interest Credited	8,649	6,121	4,312	3,262	1,918	1,196	636	273	104	25
Pensions paid	278	176	123	88	70	55	41	22	11	4
Administrative expenditures	243	200	151	123	108	85	122	75	46	10
Members' contributions plus interest refunded	1,742	1,724	1,603	1,130	653	526	384	202	72	12
Transfers to other pension funds	311	219	179	51	56	8	43	10	3	
<b>Other Data (number of persons)</b>										
*Members, contributing										
Colleges of Applied Arts and Technology	11,731	11,307	11,060	10,097	8,282	7,115	6,107	4,198	2,577	1,074
Ryerson Polytechnical Institute	901	895	858	835	798	758	639	577	447	321
Elliott Lake Centre for Continuing Education	2	36	16	22	21	21	25	25		
	<u>12,634</u>	<u>12,238</u>	<u>11,934</u>	<u>10,954</u>	<u>9,101</u>	<u>7,894</u>	<u>6,771</u>	<u>4,800</u>	<u>3,024</u>	<u>1,395</u>
*Members who have elected a deferred pension	5	5	4	1	2	1	1	1	1	
*Pensioners										
Normal	234	170	129	101	79	56	41	23	11	9
Early	11	3	1	1	1					
Disability	1	1	1	1	1					
Widows, widowers and children	18	15	12	12	8	7	4	3	1	1
	<u>264</u>	<u>189</u>	<u>143</u>	<u>115</u>	<u>89</u>	<u>63</u>	<u>45</u>	<u>26</u>	<u>12</u>	<u>10</u>



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Historical Highlights

**1962** — An Act establishing the Ontario Municipal Employees Retirement System was given Royal Assent on April 18th.

**1963** — The first members of the System were enrolled on January 1st and the first contributions received one month later.

**1965** — Amendments were made for the "locking-in" of contributions as required under The Pension Benefits Act.

After July 1, 1965 all persons engaged by a municipality or local board must participate in OMERS to receive pension benefits.

Provision was made for OMERS to manage and administer other pension plans.

**1966** — The contributions and benefits were integrated with the contributions and benefits of the Canada Pension Plan.

Employees of electric utilities became members of OMERS for the first time.

**1967** — The supplementary benefit program was introduced.

**1968** — The eleven member Board was appointed by the Lieutenant Governor in Council on January 1.

The interest rate on the special Provincial debentures issued to OMERS at each year end was increased from 5% to 6½%.

The benefit formula was increased 10% from 2% of career earnings to 2.2% of career earnings.

**1969** — A disabled widower was extended the same benefits as a widow on the death of a member.

**1970** — The interest rate on the special Provincial debentures issued to the Board at each year end was changed from 6½% to the average borrowing costs of the Province during a year.

All basic pension benefits earned or payable on December 31, 1970 were increased by 10%.

**1971** — All basic pension benefits earned or payable at December 31, 1971 were increased by 5%.

In addition to the 50% widows' and disabled widowers' pensions payable on the death of a member, a further pension of 10% for each child of the deceased member to a maximum of 25% was introduced.

**1972** — Councillors became eligible for membership in the System.

All basic pension benefits earned or payable on December 31, 1972 were increased by 5%.

**1973** — An employer could improve the pensions being paid to retired employees through the System.

Rates of interest on special Provincial debentures issued to the Board during the years 1963 to 1969 were retroactively adjusted.

All basic pension benefits earned or payable at December 31, 1973 were increased by 5%.

**1974** — A portion of available funds could be invested in marketable securities under the provisions of The Pension Benefits Act commencing in 1975.

**1975** — All basic pension benefits earned by active and deferred members as at December 31, 1975 were increased by 10%.

All pensions being paid to retired members on December 31, 1975 were increased 10%.

A widower of a member became entitled to the same 50% pension as a widow on the death of a member.

**1976** — Optional service, being service with another governmental employer or war service was added to the supplementary benefit program.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Benefits

### Basic Benefits

**Normal retirement** at age 65 — except in the case of policemen and firemen who may, if the employer elects, retire at age 60

A normal retirement pension based on earnings while a member of the System

(a) before January 1, 1966 — 2% of earnings;

(b) January 1, 1966 to December 31, 1967 — 2% of earnings in excess of the maximum pensionable earnings under the Canada Pension Plan (\$5,000 in 1966 and 1967) and 1.45% of earnings not in excess of such maximum if normal retirement is age 65 or 1.54% if normal retirement is age 60;

(c) after January 1, 1968 — 2.2% of earnings in excess of the maximum pensionable earnings under the Canada Pension Plan (\$5,200 in 1969) and 1.6% of earnings not in excess of such maximum if normal retirement is age 65 or 1.69% if normal retirement is age 60;

(d) all pension earned under (a), (b) and (c) above has been increased cumulatively 40% as follows — 1975 - 10%; 1973 - 5%; 1972 - 5%; 1971 - 5%; 1970 - 10%.

**A total and permanent disability retirement pension** after 10 years of municipal service, that is the same amount as the normal retirement pension at date of disability

**A pension to a widow or widower** of one-half the member's pension plus 10% for each child under 18 years of age to a maximum of 25% and where no widow or widower a pension of one-half the member's pension to the child or children of the member under 18 years of age.

**A deferred pension**, payable at normal retirement age, if a member ceases to be employed before his normal retirement date — the pension benefits earned by a member under the System vest immediately in the member.

**An early retirement pension**, commencing within the 10 year period before normal retirement age, which is the actuarial equivalent of the normal retirement pension.

**A refund** of the contributions of a member plus interest if the member terminates his employment, except if at termination the member has ten years of continuous service and is over 45 years of age, his contributions made after January 1, 1965 may not be refunded.

### Supplementary Benefits

#### Type I — Final Average Earnings Pension

The Type I provides a benefit based on final average earnings and credited service at retirement date. The benefit includes the pension earned under the Basic Plan. When service prior to enrolment in OMERS forms part of the total credited service, any pension earned under a prior service agreement or approved pension plan is deducted. The integrated amount (0.7%) in the formula may be deferred until age 65 when the Canada Pension Plan (CPP) benefit is payable.

#### Type II — Increased pension for service up to the end of the preceding year (up-date)

The Type II provides a benefit based on average annual earnings and credited service prior to the date of the Agreement. The integrated amount (0.7%) in the formula may be deferred until age 65 when the Canada Pension Plan benefit is payable.

The Type II benefit is fixed and includes the benefit earned under the Basic Plan prior to the date of the Agreement. When service prior to enrolment in OMERS forms part of the total credited service, any pension earned under a prior service agreement or approved pension plan is deducted.

#### Type III — Unreduced Early Retirement Pension

Normally, if a member retires early (within 10 years of normal retirement date) the pension benefit payable is actuarially reduced. The Type III benefit provides for payment of an unreduced early retirement pension if a member retires within 10 years of normal retirement date under the following conditions:

(a) completion of 30 or more years of continuous service with the employer, or

(b) retirement due to permanent partial disability as determined by the employer.

The Type III benefit may be provided using only one of the conditions (a) or (b) above. It may be combined with the basic OMERS plan only or with a Type I or Type II Agreement.

**Contributions** — Under supplementary benefits the employer entering into the agreement with the Board is responsible for the additional costs, however, the members covered under the agreement may also contribute to the costs

**Optional Service** — The service of a member with another governmental employer or war service may be added to a Type I or Type II benefit and the member must contribute on a formula basis to be entitled to this service.



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Annual Report

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD



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# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

## 1977 Annual Report





ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD  
2 BLOOR STREET WEST (27TH FLOOR), TORONTO, ONTARIO M4W 3E2, (416) 967-0637

May 1, 1978

Honourable W. Darcy McKeough  
Treasurer of Ontario and Minister  
of Economics and Intergovernmental Affairs  
Frost Building South, Seventh Floor  
Queen's Park  
Toronto, Ontario M7A 1Y7

Dear Mr. McKeough:

I am pleased to present the Annual Report of the Ontario Municipal Employees Retirement Board for the year ending December 31, 1977 in accordance with section 3(6) of The Ontario Municipal Employees Retirement System Act.

The 1977 Annual Report marks the fifteenth year that OMERS has provided pension benefits to the employees of municipalities and local boards in Ontario and the tenth year that the management and administration of the System has been the responsibility of the eleven member board appointed by the Lieutenant Governor in Council.

The accompanying report, containing statistical and financial data and outlining the activities of the Board during the year 1977, shows a further growth in all aspects of the System. There are now 980 municipal employers participating in OMERS, 106,000 contributing members and 13,000 retired members or dependants of members receiving pensions. Invested assets at cost now exceed \$1,330,000,000 with 12% of these assets invested in marketable securities.

1977 marks the last year that the pension benefits of OMERS are based on the career average earnings of the members. On January 1, 1978 all pensions will be based on the final average earnings of members and during 1977 the Board finalized the change in formula and communicated the changes to the members and participating employers.

On behalf of the members of the Board, I would like to thank you for your guidance and assistance during the year and for the opportunity we have to manage the retirement benefits of the employees of municipalities and local boards in Ontario.

The accompanying report is respectfully submitted to you.

Yours truly,

A handwritten signature in dark ink, appearing to read 'Ronald F. Bevan'.

Ronald F. Bevan  
Chairman



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# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

## as at December 31, 1977

### BOARD MEMBERS

Mr. R. F. Bevan, Chairman  
Superintendent, Niagara Regional Police Force

Mr. E. C. Hill, Vice Chairman  
Trustee  
Huron County Board of Education

Mr. C. R. Bernardi  
Director of Personnel and Labour Relations  
City of Sault Ste. Marie

Mr. G. E. Boyce  
Superintendent of Business Administration  
Sudbury Board of Education

Mr. S. P. Dobbin  
Employee  
Toronto Board of Education

Mr. L. D. Groombridge  
City Manager  
City of Chatham

Mr. E. Hothersall  
Secretary Treasurer  
Ontario Professional Fire Fighters' Association

Mr. G. McIntyre  
Ministry of Treasury, Economics and  
Intergovernmental Affairs

Mr. A. Roberts  
Consumer Relations Representative  
St. Catharines Public Utilities Commission

Mr. G. D. Spry  
Ministry of Natural Resources

Mrs. E. Stewart  
Deputy Reeve  
Township of Gloucester

### INVESTMENT POLICY COMMITTEE OF THE BOARD

Mr. R. M. MacIntosh, Chairman  
Bank of Nova Scotia

Mr. J. C. C. Wansbrough, Vice-Chairman  
National Trust Company Limited

Mr. H. M. Cunningham  
Canada Packers Limited

Mr. A. W. Reeve  
Executive Director

Mr. N. J. Short  
Guardian Capital Group Limited

Mr. G. D. Spry  
Member of the Board

Mr. D. A. Beggs  
Director of Investments

### ADVISORS

Mr. R. A. Field  
The Wyatt Company  
Actuaries

Coopers & Lybrand  
Auditors

Mr. Purdy Crawford, Q.C.  
Osler, Hoskin and Harcourt  
Solicitor

Dr. R. G. MacKenzie  
Medical Advisor

### STAFF

Mr. A. W. Reeve  
Executive Director

Mr. D. A. Beggs  
Director of Investments

Mr. G. A. Tyson  
Director of Pension Administration

Mr. D. W. Barron  
Special Assistant to the Executive Director



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

## 1977 ANNUAL REPORT

### INTRODUCTION

1977 marks the completion of fifteen years of operation for OMERS and the tenth year that the management and administration of the System has been the responsibility of the eleven member Board.

1977 also marks the end of the "career average earnings" pension formula which will be replaced by a final average earnings formula commencing January 1, 1978 and applicable to all service of members since enrolment in OMERS.

The management and administration responsibilities of the Board include organization and staffing, the receipt and investment of funds, the calculation and payment of benefits, the participation of employers, the enrolment of members, the maintenance of individual member records, communication with members and employers, review of actuarial valuations and financial reporting. In addition, the Board undertakes research in benefit development and recommends changes to The OMERS Act and Regulations.

The pension program of OMERS divides into four parts:

- (i) the basic OMERS plan to which each participating employer and each member contributes;
- (ii) the supplementary benefit programs which provide benefits in addition to the basic plan on an optional basis to individual employers and groups of employees of these employers;
- (iii) prior service agreements which absorbed plans in existence when OMERS was established, and
- (iv) a scheme whereby individual employers may increase the pensions of their retired municipal employees.

In addition to these responsibilities, the Board also administers under agreement, separate pension plans of Ryerson Polytechnical Institute, the Colleges of Applied Arts and Technology, and the Elliot Lake Centre d'Elliot Lake.

This report outlines the Board's activities during 1977 including changes to the pension benefits, the further development of the investment program and the administration of the basic plan, the supplementary benefit program and the managed plans.

### MAJOR ACTIVITIES IN 1977

#### Benefit Changes

Although no changes were made to The OMERS Act in 1977, a major revision was made to the Regulations under the Act to introduce the changes applicable to the final average earnings basic pension formula on January 1, 1978, to eliminate references to the former career average earnings basic pension formula, and to provide the required amendments to the supplementary benefit program because of the change. Details of the pension benefits on the new final average earnings basis are found on Schedule 4 of this report.

In addition to the change in the basic pension formula, the following changes were made to the Regulation:

- interest charged employers on the late remittance of monthly contributions was increased from one-half of one per cent per month to one per cent per month effective in 1978
- interest on the refund of employee contributions will be accumulated at five per cent per annum from 1978 onwards, increased from three per cent
- a "continuous full-time employee" was defined and special provisions made for other than continuous full-time employees
- member contributions were increased one and one-half per cent effective January 1, 1978
- provision was made for an employee to pay double contributions during an authorized leave of absence without pay and other specified leaves
- total disability retirement benefits were improved to include inability to perform regular duties during the first two years of disability and also to allow the disabled member the option of continued accrual of service without contribution or a pension benefit
- the eligible age of children was increased from eighteen years to twenty-one years for pensions in respect of deceased members.

The Board established rates of employer contributions effective January 1, 1978 as required under the Regulation by increasing the rates by one and one-half per cent,



thus continuing the equal sharing of contributions by members and employers that has been in effect since 1963.

## Communication

In 1977, the Board introduced the "OMERS UPDATE" which will be released three times a year outlining the considerations and decisions of the Board at the regular monthly meetings. UPDATE is issued to employers in sufficient quantity for posting in locations accessible to employees and is also sent to various member and employer organizations.

The Board also authorized the release of all actuarial valuations of the basic Fund to interested member and employer representatives.

Another feature introduced by the Board in 1977 in an attempt to communicate with participants was the policy to hold two Board meetings each year outside of the Board's offices in Toronto. In September, 1977 the Board met in the City of Sault Ste. Marie and in conjunction with this meeting held a seminar on the changes to final average earnings and a general discussion meeting with member and employer representatives in the District of Algoma.

The staff conducted about fifty seminars between August and November, 1977 in all parts of the Province to explain the new final average earnings plan and answer questions of members and employers.

Over the last ten years, the Board has attempted to communicate the various aspects of the System to the employee and employer participants, to meet with various representatives to discuss possible changes, and to explain the changes to be made and has encouraged delegations to attend Board meetings. In addition, the Board has adopted a freedom of information for members and employers and the policies adopted by the Board in 1977 now freely make available on request information on all aspects of the System.

## PENSION ADMINISTRATION

### Finance

A ten year review of financial and membership statistics is presented in Schedule 1 of the Report.

The following table highlights the financial aspects of the basic plan and the magnitude of the change between 1976 and 1977:

(\$ Million)	1977	1976	% Increase 1977/1976
Member Contributions	\$ 70.301	\$ 63.495	11%
Employer Contributions	70.775	63.820	11
Investment Income	84.267	65.560	29
Pension Payments	16.660	12.867	29
Member Refunds and Transfers	9.080	9.094	—
Administrative Expenses	1.539	1.427	8
<u>Held In Trust</u>			
Supplementary Benefits	118.712	87.714	35
Prior Service Agreements	8.003	8.247	(3)
Managed Plans	145.852	112.887	29

The following table shows the costs of administering OMERS during the last four years, the fee recoveries for the administration of supplementary benefits and managed plans, the net costs associated with the basic plan and the net costs expressed per active member at each year end:

(\$ Thousand)	1977	1976	1975	1974
<u>Administrative Expenses:</u>				
Gross Cost	\$1,539	\$1,427	\$1,183	\$867
Fee Recoveries	561	567	410	288
Net Cost	\$ 978	\$ 860	\$ 773	\$579
Year-End Membership	106,030	102,432	97,275	88,708
Cost Per Member	\$9.22	\$8.40	\$7.94	\$6.53

### Membership

At the end of 1977, there were 980 participating employers comprising 459 municipalities, 122 school boards and 399 other local boards.

On December 31, 1977, there were 106,030 contributing members, an increase of 3.5% during the year. At year end there were 13,160 retired members or beneficiaries in receipt of a pension, an increase in 1977 of 14.7%. On December 31st, 3,859 former members had terminated their service and elected to leave their contributions in OMERS and receive a pension on their normal retirement date.

During 1977, 12,263 members were enrolled in OMERS and 5,962 members on termination elected a refund of their contributions.



When OMERS was established in 1963, one of the primary objectives was to provide adequate pensions at reasonable cost to the many smaller municipalities with only a few employees. At the end of 1977, 544 of the 980 employers (55%) had fewer than 25 employees and in total represented 4,143 members or only 4% of the total membership. This objective was only attainable by the support of the larger municipalities and local boards and this is evidenced by the fact that there are 48 employers (5% of the total) with 56,000 members or 53% of the total membership. To complete this summary of membership and participation there are 389 employers with between 25 and 500 employees, making up 40% of the employers and 43% of the members.

The number of employers and members who have utilized the supplementary benefit program to augment the basic pension benefits of OMERS, by the addition of past service benefits, improved future service benefits and improved early retirement benefits, has increased steadily during the last few years.

At the end of 1977, there were 20,368 members covered by a Type I supplementary benefit plan and 6,020 of these members were also covered under the early retirement Type III benefit. 5,520 members were covered under the Type II (update) supplementary benefits and 2,847 of these also benefited from the Type III provisions. In addition, 3,009 members enrolled in the basic plan only were covered under a Type III agreement.

Type I supplementary benefits will undergo major changes in 1978 with the conversion to a final average earnings basic plan since the future service component of these benefits will become redundant and be provided to all members through the basic plan.

## INVESTMENT PROGRAM

The investment of funds accumulated each year and not required for the payment of benefits and expenditures can be categorized into two parts. The first part, which began in 1963 and is now scheduled to end in 1978, was the purchase each year of non-marketable Province of Ontario debentures. The second part, which began in the last quarter of 1975 and will become the pattern for the future, is to invest in marketable securities such as mortgages, bonds, common stock, real estate, etc. within the limitations of The Pension Benefits Act. The investment program includes funds generated from the basic OMERS plan, prior service and supplementary agreements and from the managed plans. All figures quoted relate to the total pooled investment program.

Since the non-marketable Provincial debenture program is being phased out in 1978, it seems appropriate to provide a history of this portion of the investment program.

The following table shows the amount invested each year from 1963 to 1977 in the non-marketable Provincial debentures, the term of the investment and the rate of interest on each year's debenture. The legislation originally provided for these debentures to bear interest at 5% per year, but this was changed in 1968 to 6½% per year. In 1970, a further change was made and from that year the rate of interest reflects the weighted average borrowing costs of the Province of Ontario or guaranteed by the Province and issued in Canadian funds for longer terms. In 1973, the interest rate on the debentures that had been issued from 1963 to 1967 at 5% and in 1968 and 1969 at 6½% was changed to reflect the Province's average borrowing costs in each original year of issue.

Year of Issue	Term to Maturity	Principal Amount (\$ Million)	Interest	
			Original Rate	Actual Rate
1963	30 years	\$ 4.400	5	5.49%
1964	30	10.700	5	5.56
1965	30	14.100	5	5.54
1966	30	20.100	5	6.00
1967	30	24.900	5	6.30
1968	30	33.100	6.5	7.21
1969	30	46.700	6.5	8.19
1970	30	57.600		9.10
1971	30	75.000		7.85
1972	30	91.300		8.02
1973	20	125.100		8.15
1974	20	138.125		9.81
1975	20	168.150		10.05
1976	26	174.500		10.28
1977	26	187.950		9.45

At December 31, 1977, OMERS had invested \$1,171,725,000 in these non-marketable Province of Ontario debentures and the weighted average interest rate on all such investments is just under 9% per year.

In 1975, The OMERS Act was amended to allow the Board to invest a portion of available funds each year in marketable securities under the provisions of The Pension Benefits Act and this program commenced October, 1975. Because of the complex nature of this responsibility, the Board created an Investment Policy Committee and appointed seven persons to the Committee. Two of





the appointments are senior staff members, one is a member of the Board and four are persons with senior investment experience in the private sector.

This Committee was formed in May, 1975 and meets regularly once each month. The Committee recommends to the Board for approval the broad investment policies to be followed, develops investment strategies to carry out this policy and determines the investment latitude for the staff of OMERS who carry out the day to day investment program.

The assets under administration have had dramatic year to year growth and this growth will continue during the next few years. The following table traces the portfolio from 1975 to the end of 1977 showing assets at book value within the various classes of marketable securities:

(\$ Million)	Investments at Book Value as at December 31		
	1977	1976	1975
Asset Class			
Mortgages	\$ 92.724	\$38.576	\$ 7.359
Bonds	42.703	27.278	6.874
Equities	15.061	8.287	.501
Real Estate	7.619	2.543	1.010
	<u>\$158.107</u>	<u>\$76.684</u>	<u>\$15.744</u>

The policy established in 1975 for market investments by the Board provided for the following percentage ranges by class of the total assets — mortgages 50 - 75; bonds 20 - 40; common stock 0 - 20; and real estate 0 - 50.

At year end the market investments were 59% in mortgages, 27% in bonds, 9% in equities and 5% in real estate, all within the policy parameters established by the Board. While the book or cost value of the market investments was \$158,107,269, the market value at December 31, 1977 has been estimated at \$165,095,042 or \$6,987,773 greater than book, representing unrealized appreciation of 4.4% of the book value.

The average yield in 1977 on the market investments was 10.68% using the formula of investment income divided by one-half the sum of the book value of the investments at the beginning of the year plus the book value at year end less the investment income during the year and time weighting the investments by month during the year.

The average yield in 1977 combining both the non-marketable Provincial debentures and the market investments using the formula in the above paragraph was 9.1%.

The portion of total funds available for investment each year since 1975 that have been invested in marketable securities, as distinct to the non-marketable Provincial debentures, has been increasing. In 1975, it was about 9%, increasing to 26% in 1976 and to 30% in 1977. In 1978, it is projected to increase to 60% and in 1979 to 100%. Thus, in a period of just over three years, the investment program of OMERS will have been completely changed from non-marketable investments with the Province to completely marketable investment vehicles. The main objective of OMERS in seeking and achieving this major shift in investment strategy is to maximize the rate of return rates taking account of the higher risk in such investments. Maximization of the rate of return will, in the long run, immeasurably assist in the financing of the pension benefits and the improvement of benefits.

## ACTUARIAL VALUATIONS

During 1977, the Board reviewed with the actuary the actuarial valuation of the basic OMERS fund as at January 1, 1976 and January 1, 1977. The January 1, 1977 valuation will be the last one based on the accumulation of pension benefits on a career average basis. The valuation as at January 1, 1976 was filed with The Pension Commission as required under The Pension Benefits Act provisions of triennial reporting.

The results of these two valuations are presented in the following table and present the minimum funding requirements of The Pension Commission of Ontario. Stated briefly, the results represent the present value as of the valuation date of the liability for pensions earned by members or under payment to retired members or their beneficiaries using a 6% interest factor and this is compared to the value of the assets on hand to meet these liabilities. Since the valuation results reflect only the minimum funding requirements for a career average pension formula, the Board, on the advice of the actuary, has always reserved as contingency 10% of the assets to avoid future cost fluctuations.



(\$Million)

Actuarial Valuation Results  
as at January 1

	1977	1976
Assets on Hand	\$869.075	\$690.645
Less 10% Contingency Reserve	86.908	69.065
Available Assets	\$782.167	\$621.580
Present Value of Liabilities for:		
Pensioners	\$147.816	\$111.241
Deferred Pensions	13.462	11.629
Contributing Members	597.165	507.250
	\$758.443	\$630.100
Surplus (Deficiency)	\$ 23.724	(\$ 8.520)

In December, 1977, the Board recommended a 3% increase to all persons receiving a pension on December 31, 1977 with the increase to be included in the March 1, 1978 pension cheques and to continue thereafter. This increase added \$5,600,000 to the liabilities of the fund in respect of the pensioners as at March 1, 1978. The Board also recommended to the Government that this be the last increase paid from the Fund unless other means of funding such increases are implemented.

## MANAGED PLANS

The Board has entered into agreements to manage and administer separately from OMERS, the pension plans of Ryerson Polytechnical Institute, the Colleges of Applied Arts and Technology and the Elliot Lake Centre d'Elliot Lake in accordance with the provisions of Section 15 of The OMERS Act.

The Board recovers the cost of this administration from the individual plans so there is no charge against the operation of OMERS.

Schedule 2 of this report presents a ten year review of financial and other data related to the growth and development of these plans. During 1977 the OMERS staff worked closely with those responsible for the policy development aspects of the plans and provided reports and studies on request. The main functions of the Elliot Lake Centre d'Elliot Lake were transferred, in 1976, to Sault College of Applied Arts and Technology along with the majority of the staff of the Centre, and the contributions and pension credits of these employees were transferred to the College's pension plan.

## THE BOARD AND ITS ADVISORS

Mr. J.L. McLeish of London, Ontario left the Board in 1977 and was replaced by Mr. A. Roberts, of the St. Catharines Public Utilities Commission. Mr. McLeish had been a member of the Board since its inception in 1968 serving two years as Vice-Chairman and two years as Chairman of the Board.

Mr. L.D. Groombridge of Chatham, Ontario completed his tenth year of membership on the Board on December 31, 1977 and was replaced in 1978 by Mr. D. Schaefer, of the City of Waterloo. Mr. Groombridge also served as Vice-Chairman of the Board for two years and Chairman for two years.

Mr. McLeish and Mr. Groombridge rendered valuable service and direction to OMERS and to the retirement program of the employees of municipalities, and local boards in Ontario. During their association with OMERS the number of pensioners increased from 1,200 to 13,000, contributing members increased from 47,000 to 106,000, invested assets from \$75,000,000 to \$1,330,000,000 and the number of participating employers from 570 to 980. They also participated in the development of the supplementary benefit program, the provision of a series of improvements to the career average formula, the introduction of the final average earnings formula and the investment of funds in marketable securities.

Mr. R.A. Field of the Wyatt Company continued to provide actuarial consulting service to the Board during 1977. Mr. Purdy Crawford, Q.C. of the legal firm of Osler, Hoskin and Harcourt and Dr. R.G. MacKenzie respectively provided legal and medical advice during the year. The firm of Coopers & Lybrand continued as the appointed auditors of the Fund.

The fifty-seven members of the OMERS staff and the employees of the 980 participating employers played key roles in attempting to provide a high degree of service to the members in the administration of their retirement program.



## CONCLUSION

In 1977, the Ontario Government established a Royal Commission on the Status of Pensions in Ontario. The Commission sought briefs from interested groups and individuals and scheduled public hearings in 1978. The Board submitted a brief to the Royal Commission outlining the establishment, growth and major features of OMERS. The Board also provided comment on coverage, level of pensions, portability, indexing, funding and disclosure — items currently considered essential to improving pensions for the people of Ontario. Copies of this brief are available on request.

The findings of this Royal Commission and possible Government action in the pension area could have far reaching effects on retirement programs, including OMERS, and the Board will be most interested in the results of this examination of pensions in Ontario.

The members of the Board appreciate the opportunity to manage and administer OMERS, a retirement program operated for the employees of local government in Ontario.



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Balance Sheet as at December 31, 1977

	1977	1976
<b>Assets</b>		
Investments (notes 1 and 2)	\$1,329,832,269	\$1,060,459,105
Contributions receivable	18,766,288	16,012,390
Accounts receivable	242,733	240,961
Accrued income	2,550,983	1,212,661
Cash	17,909	43,356
	<u>\$1,351,410,182</u>	<u>\$1,077,968,473</u>
<b>Reserves and Liabilities</b>		
Reserves for:		
basic benefits (note 3)	\$1,078,780,582	\$ 869,075,838
prior service benefits (note 4)	8,002,509	8,246,986
supplementary benefits (note 4)	118,712,148	87,713,595
	<u>\$1,205,495,239</u>	<u>\$ 965,036,419</u>
Deposits from administered pension funds (note 5)	\$ 145,851,807	\$ 112,887,168
Accounts payable and accruals	54,775	32,030
Pension benefits payable	8,361	12,856
	<u>\$1,351,410,182</u>	<u>\$1,077,968,473</u>

Signed on behalf of the Board



Member



Member





# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND Statement of the Reserves for the year ended December 31, 1977

	Basic Benefits Reserves	Prior Service Benefits Reserves	Supplementary Benefits Reserves	Total	1976
Balance, beginning of the year	\$ 869,075,838	\$8,246,986	\$ 87,713,595	\$ 965,036,419	\$755,140,529
Increases in reserves					
Contributions of:					
• Members	70,300,660	158,802	4,556,594	75,016,056	67,473,337
• Employers	70,774,540	189,003	27,879,672	98,843,215	93,685,657
	141,075,200	347,805	32,436,266	173,859,271	161,158,994
	96,174,986	427,251	8,946,803	105,549,040	80,536,447
Income earned from investments (note 1)					
Administrative expenditures recovered from:					
• Supplementary benefits reserve	327,920			327,920	330,067
• Administered pension funds	236,376			236,376	236,713
	564,296			564,296	566,780
Transfer to basic benefits reserve from:					
• Prior service benefits reserves	549,195			549,195	637,633
• Supplementary benefits reserve	10,883,438			10,883,438	7,737,665
	11,432,633			11,432,633	8,375,298
Transfer to Supplementary Benefits reserve from:					
• Basic benefits reserve			356,504	356,504	
• Prior service benefits reserve			470,338	470,338	
			826,842	826,842	
	249,247,115	775,056	42,209,911	292,232,082	250,637,519
Decreases in reserves					
Members' pensions	16,659,615			16,659,615	12,867,075
Members' contributions plus interest refunded	8,433,351			8,433,351	8,508,131
Transfers to other pension funds	646,584			646,584	585,624
Interest credited to administered pension funds (note 5)	11,907,051			11,907,051	8,648,540
Transfers to basic benefits reserve for:					
• Pensions present value			9,577,354	10,044,218	7,924,645
• Members' contributions plus interest refunded			373,431	449,422	407,752
• Transfer to other pension funds			932,653	938,993	42,901
			10,883,438		
			327,920	327,920	330,067
Administrative expenses recovered					
Transfer to supplementary benefits reserve from:					
• Basic benefits reserve	356,504			356,504	1,426,804
• Prior service benefits reserve		470,338		470,338	
Administrative expenditures	1,539,266			1,539,266	
	39,542,371			51,773,262	40,741,629
		1,019,533			
	\$1,078,780,582	\$8,002,509	\$118,712,148	\$1,205,495,239	\$965,036,419
Balance, end of the year					



**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD**  
**Schedule of Administrative Expenditures**  
**for the year ended December 31, 1977**

	<u>1977</u>	<u>1976</u>
<b>Personal services including employee benefits</b>		
Salaries of regular staff	\$ 796,949	\$ 726,852
Salaries of casual staff	29,663	11,088
Pensions	46,765	40,385
Unemployment insurance	9,833	9,897
Workmen's Compensation	1,371	1,090
Hospital and medical insurance	25,986	20,668
Term-life insurance	4,929	4,504
Long-term disability insurance	6,674	5,372
	<u>\$ 922,170</u>	<u>\$ 819,856</u>
<b>Transportation and Communication</b>		
Travel expenses, including overtime meal allowances	\$ 34,514	\$ 23,309
Telephone	30,570	28,404
Postage and express	33,906	29,645
	<u>\$ 98,990</u>	<u>\$ 81,358</u>
<b>Purchases of service</b>		
Actuarial services	\$ 33,690	\$ 34,725
Audit services	18,000	17,450
Medical services	4,155	4,230
Legal services	40,746	20,849
Other professional services	37,829	32,678
Recruitment and training of employees	6,693	6,527
Rental of Offices	113,140	104,049
Rental of equipment, including data processing	73,348	84,759
Maintenance and repair of equipment	2,622	3,141
Electricity	7,229	4,717
Insurance	2,769	1,212
Board's services	25,594	19,826
	<u>\$ 365,815</u>	<u>\$ 334,163</u>
<b>Materials and supplies</b>		
Furniture and equipment purchased	\$ 22,711	\$ 30,798
Supplies and stationery	67,132	75,475
Publications for members and employers	58,365	35,243
Alterations to offices	4,083	50,000
	<u>\$ 152,291</u>	<u>\$ 191,516</u>
<b>Total expenditures</b>	<u><u>\$1,539,266</u></u>	<u><u>\$1,426,893</u></u>



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements

### for the year ended December 31, 1977

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Investments*

Investments are recorded in the accounts at cost. Gains or losses on their disposal are credited or charged to income. Income from investments is recorded on the accrual basis.

##### *Contributions*

Member and employer contributions received subsequent to the year-end, but which are applicable to the current year, are recorded as receivables.

##### *Benefits*

Payments for benefits are recorded in the year in which such payments are made.

#### 2. INVESTMENTS

The following is a description of the investments:

(a) Province of Ontario debentures issued under section 7(3) of the Ontario Municipal Employees Retirement System Act.

<u>Date of Maturity</u>	<u>Weighted Average Interest Rate</u>	<u>Cost</u>
December 31, 1993	8.06%	\$ 129,500,000
December 31, 1994	9.50%	148,825,000
December 31, 1995	9.70%	182,250,000
December 31, 1996	6.00%	20,100,000
December 31, 1997	6.30%	24,900,000
December 31, 1998	7.21%	33,100,000
December 31, 1999	8.19%	46,700,000
December 31, 2000	9.10%	57,600,000
December 31, 2001	7.85%	75,000,000
December 31, 2002	9.50%	265,800,000
December 31, 2003	9.45%	187,950,000
		<u>\$1,171,725,000</u>

Market value for the Ontario debentures has not been determined as these debentures have no quoted market value.



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements

### for the year ended December 31, 1977

#### 2. INVESTMENTS (continued)

(b) Investments commencing September 30, 1975 under section 7(3b) of The Ontario Municipal Employees Retirement System Act which are subject to the limitations of The Pension Benefits Act

	1977		1976	
	Market Value	Cost	Market Value	Cost
Bonds and Debentures	\$ 43,381,855	\$ 42,703,061	\$ 28,479,000	\$ 27,277,875
Mortgages	97,788,254	92,724,391	40,513,691	38,575,847
Equities	16,305,908	15,060,792	8,693,900	8,286,878
	<u>\$157,476,017</u>	<u>\$150,488,244</u>	<u>\$ 77,686,591</u>	<u>\$ 74,140,600</u>
Real Estate		7,619,025		2,543,505
		<u>\$158,107,269</u>		<u>\$ 76,684,105</u>

Market value is quoted value for bonds and debentures and equities.

Market value for mortgages is computed based on market yields.

(c) Total Portfolio, at cost \$1,329,832,269 \$1,060,459,105

#### 3. BASIC BENEFITS RESERVE

The basic benefits reserve is maintained for the payment of pensions to retired members or their beneficiaries and the future payment of pensions and benefits to contributing members and to terminated members who have elected a deferred pension.

The latest actuarial valuation of the Fund dated January 1, 1977 determined the total actuarial liabilities of the Fund for basic benefits to be \$758,443,000 using the minimum funding basis provided under the Pension Benefits Act. The basic benefits reserve to meet these liabilities as at December 31, 1976 was \$869,075,838, resulting in an actuarial surplus of \$110,632,000.

As of January 1, 1978, a new final average earnings pension formula was introduced to replace the former career average earnings formula and simultaneously both employee and employer contributions were increased. The effect of the new pension formula on the actuarial liabilities of the Fund will be determined in the next actuarial valuation as at January 1, 1978. The December 31, 1977 basic benefits reserve available to meet actuarial liabilities as at January 1, 1978 was \$1,078,780,582.

#### 4. PRIOR SERVICE AND SUPPLEMENTARY BENEFITS RESERVES

Under the terms of The Ontario Municipal Employees Retirement System Act, an employer who participates in OMERS may enter into an agreement with the Board for the provision of prior service benefits and/or of supplementary benefits. Each employer is responsible, individually, for the cost of funding such benefits.





**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND**  
**Notes to the Financial Statements**  
**for the year ended December 31, 1977**

**5. ADMINISTERED PENSION FUNDS**

The administered pension funds (which are administered on behalf of the Colleges of Applied Arts and Technology, the Ryerson Polytechnical Institute and the Elliot Lake Centre d'Elliot Lake) are credited with amounts which are equal to the income received by the Fund from the investment of the monies deposited in the Fund by the administered pension funds.

**6. ANTI-INFLATION ACT**

The Anti-Inflation Act, effective October 14, 1975, provides for the restraint of prices, profit margins, compensation and dividends. Pursuant to an agreement between the Province of Ontario and the Government of Canada, the staff who administer the Fund are subject to the Act. At December 31, 1977, the Fund has no unrecorded or contingent liability in that respect.

**7. LEASE COMMITMENT**

The administration of the Fund is conducted on leased premises and the Fund has entered into a lease agreement which involves a minimum annual rental of \$120,638 to 1981 and \$96,330 to 1986.



# COOPERS & LYBRAND

CHARTERED ACCOUNTANTS

TELEPHONE (416) 869-1130

CABLES COLYBRAND

TELEX 06-23590

145 KING STREET WEST

TORONTO, ONTARIO, CANADA M5H 1V8

OFFICES THROUGHOUT CANADA  
AND IN PRINCIPAL AREAS  
OF THE WORLD

April 4, 1978

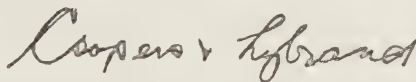
## AUDITORS' REPORT

TO THE

### ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

We have examined the balance sheet of the Ontario Municipal Employees Retirement Fund as at December 31, 1977 and the statement of the reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1977 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



CHARTERED ACCOUNTANTS



BOSTON  
CHICAGO  
CLEVELAND  
DALLAS  
DETROIT  
FORT WORTH  
HONOLULU  
HOUSTON  
LOS ANGELES  
MIAMI

THE *Wyatt* COMPANY

ACTUARIES-EMPLOYEE BENEFIT CONSULTANTS-RISK MANAGEMENT CONSULTANTS  
INTERNATIONAL BENEFITS-EMPLOYEE COMMUNICATIONS  
141 ADELAIDE STREET WEST  
TORONTO, ONTARIO M5H 3L5  
—  
(416) 862-0393

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TORONTO  
VANCOUVER

Actuarial Certificate at December 31, 1977

Ontario Municipal Employees Retirement Fund

The most recent actuarial valuation of the above Plan was conducted at January 1, 1977 using the unit credit cost method.

The results of the valuation indicated a surplus of \$110.632 million at January 1, 1977 and that the existing levels of employee and employer contributions are sufficient to meet the cost of benefits to be earned each calendar year until the next actuarial valuation is made.

We are of the opinion, therefore, that the assets of the Fund at December 31, 1977 are sufficient to meet all the liabilities of the Plan in respect of services rendered by members up to that date.

Respectfully submitted

THE WYATT COMPANY



March 30, 1978

R. Alvin Field, F.S.A.  
Fellow, Canadian Institute of Actuaries



10 Year Review of Financial and Other Data for the Years 1968 to 1977 Inclusive

Ontario Municipal Employees Retirement System

Financial Data (in thousands of dollars)

	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
*Investments — Provincial debentures	\$1,171,725	\$983,775	\$809,275	\$641,125	\$503,000	\$377,900	\$286,600	\$211,600	\$154,000	\$107,300
— Marketable securities	158,107	76,684	15,744							
*Reserves for										
basic benefits	1,078,781	869,076	690,646	545,304	432,891	331,754	255,628	191,265	140,233	100,420
prior service benefits	8,002	8,247	7,654	7,381	7,178	6,922	6,894	6,800	6,489	6,430
supplementary benefits	118,712	87,713	56,841	36,789	25,300	15,521	9,753	6,358	4,853	4,400
	1,205,495	965,036	755,141	589,474	465,369	354,197	272,275	204,423	151,575	107,230
Contributions for										
basic benefits	141,075	127,315	106,497	85,535	72,645	62,766	53,311	44,271	36,055	28,657
prior service benefits	348	827	404	382	323	323	223	292	200	236
supplementary benefits	32,436	33,017	22,286	13,857	11,708	6,876	4,261	2,170	4,438	437
	173,859	161,159	129,187	99,774	84,676	70,025	57,795	46,733	40,693	29,330
Interest earned	105,549	80,536	59,666	44,353	40,171	23,004	16,605	11,120	7,222	4,659
Interest credited to Administered Pension Funds	11,907	8,649	6,121	4,312	3,262	1,918	1,196	636	273	104
Pensions paid	16,660	12,867	8,983	6,644	4,612	3,195	2,117	1,276	801	546
Administrative expenditures										
Amounts recovered under terms of supplementary benefit and administered pension fund agreements	1,539	1,427	1,183	867	606	542	402	358	306	265
Amount, net, as a percentage of contributions for basic benefits	0.69%	0.68%	0.73%	0.68%	0.51%	0.59%	0.53%	0.49%	0.52%	0.77%
Members' contributions plus interest refunded	8,433	8,505	6,710	7,367	5,120	3,840	2,833	2,772	2,246	1,501
Transfers to other pension funds	647	586	377	982	194	1,712	79	87	75	189
••Rate of interest on Provincial debentures issued each year	9.45%	10.28%	10.09%	9.81%	8.15%	8.02%	7.85%	9.10%	8.19%	7.21%
•••Average yield on all of the investments	9.10%	8.92%	8.48%	8.07%	7.74%	7.72%	7.63%	7.27%	6.43%	6.07%

Other Data (number of persons or employers)

*Members, contributaries										
Municipalities	54,031	52,538	40,133	44,279	40,983	36,293	33,074	29,217	27,134	24,808
School boards	27,529	27,026	26,345	24,787	24,390	23,533	23,062	20,386	17,507	14,021
Other local boards	24,470	22,868	21,797	19,642	18,481	17,432	16,523	15,390	14,622	13,352
	106,030	102,432	97,275	88,708	83,854	77,258	72,659	64,993	59,263	52,221
*Members, who have elected a deferred pension	3,859	3,398	3,194	3,291	—	2,121	2,223	1,146	949	845
*Persons										
Normal	8,456	7,552	6,639	5,796	4,860	4,069	3,306	2,542	1,815	1,315
Early	1,260	999	782	641	471	358	240	175	129	99
Disability	719	623	510	409	329	257	189	137	102	71
Widows, widowers and children	2,725	2,297	1,890	1,548	1,248	979	760	590	430	250
	13,160	11,471	9,821	8,394	6,908	5,663	4,502	3,444	2,476	1,775
*Employees										
Municipalities	459	450	434	415	431	418	397	391	393	382
School boards	122	123	123	121	116	110	104	100	123	151
Other local boards	399	403	394	383	371	367	359	359	355	343
	980	976	961	919	918	895	860	850	871	916

\*The amount shown for each year as at December 31 is cumulative

••Rate of interest for the years 1968 to 1970 inclusive represent the adjusted rates as authorized, by The Ontario Municipal Employees Retirement System Amendment Act 1973.

•••These rates represent the average yield on all OMERS investments each year (assuming the excess interest received in 1973 was actually received in the years 1968 and 1969 on Provincial debentures). The average yield in 1977 on Provincial debentures was 8.93% and on marketable securities was 10.68%.





# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

Schedule 2

10 Year Review of Financial and Other Data for the Years 1968 to 1977 Inclusive

<b>Administered Pension Funds</b>		1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
Financial Data (in thousands of dollars)											
*Deposits with the Board		\$145,852	\$112,887	\$ 83,688	\$ 61,640	\$ 44,839	\$ 31,520	\$ 20,526	\$ 12,128	\$ 6,361	\$ 2,928
*Contributions											
Colleges of Applied Arts and Technology		21,305	21,705	17,157	13,621	10,585	9,178	7,080	5,367	3,003	1,961
Ryerson Polytechnical Institute		2,264	1,968	1,652	1,309	1,200	988	796	642	553	364
Elliot Lake Centre d'Elliot Lake		4	13	23	16	16	18	22	15	33	
		23,573	23,686	18,832	14,946	11,801	10,184	7,898	6,024	3,589	2,325
Interest Credited		11,907	8,649	6,121	4,312	3,262	1,918	1,196	636	273	104
Pensions paid		406	278	176	123	88	70	55	41	22	11
Administrative expenditures		265	243	200	151	123	108	85	122	75	46
Members' contributions plus interest refunded		1,860	1,742	1,724	1,603	1,130	653	526	384	202	72
Transfers to other pension funds		262	311	219	179	51	56	8	43	10	3
<b>Other Data (number of persons)</b>											
*Members, contributing											
Colleges of Applied Arts and Technology		11,934	11,731	11,307	11,060	10,097	8,282	7,115	6,107	4,198	2,577
Ryerson Polytechnical Institute		926	901	895	858	835	798	753	639	577	447
Elliot Lake Centre d'Elliot Lake		2	2	36	16	22	21	21	25	25	
		12,862	12,634	12,238	11,934	10,954	9,101	7,894	6,771	4,800	3,024
*Members who have elected a deferred pension		17	5	5	4	1	2	1	1	1	1
*Pensioners											
Normal		297	234	170	129	101	79	56	41	23	11
Early		21	11	3	1	1	1				
Disability		1	1	1	1	1	1				
Widows, widowers and children		26	18	15	12	12	8	7	4	3	1
		345	264	189	143	115	89	63	45	26	12

\*The amount shown for each year as at December 31 is cumulative.



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Historical Highlights

**1962** — An Act establishing the Ontario Municipal Employees Retirement System was given Royal Assent on April 18th.

**1963** — The first members of the System were enrolled on January 1st and the first contributions received one month later.

**1965** — Amendments were made for the "locking-in" of contributions as required under The Pension Benefits Act.

After July 1, 1965 all persons engaged by a municipality or local board must participate in OMERS to receive pension benefits.

Provision was made for OMERS to manage and administer other pension plans.

**1966** — The contributions and benefits were integrated with the contributions and benefits of the Canada Pension Plan.

Employees of electric utilities became members of OMERS for the first time.

**1967** — The supplementary benefit program was introduced.

**1968** — The eleven member Board was appointed by the Lieutenant Governor in Council on January 1.

The interest rate on the special Provincial debentures issued to OMERS at each year end was increased from 5% to 6½%.

The benefit formula was increased 10% from 2% of career earnings to 2.2% of career earnings.

**1969** — A disabled widower was extended the same benefits as a widow on the death of a member.

**1970** — The interest rate on the special Provincial debentures issued to the Board at each year end was changed from 6½% to the average borrowing costs of the Province during a year.

All basic pension benefits earned or payable on December 31, 1970 were increased by 10%.

**1971** — All basic pension benefits earned or payable at December 31, 1971 were increased by 5%.

In addition to the 50% widows' and disabled widowers' pensions payable on the death of a member, a further pension of 10% for each child of the deceased member to a maximum of 25% was introduced.

**1972** — Councillors became eligible for membership in the System.

All basic pension benefits earned or payable on December 31, 1972 were increased by 5%.

**1973** — An employer could improve the pensions being paid to retired employees through the System.

Rates of interest on special Provincial debentures issued to the Board during the years 1963 to 1969 were retroactively adjusted.

All basic pension benefits earned or payable at December 31, 1973 were increased by 5%.

**1974** — A portion of available funds could be invested in marketable securities under the provisions of The Pension Benefits Act commencing in 1975.

**1975** — All basic pension benefits earned by active and deferred members as at December 31, 1975 were increased by 10%.

All pensions being paid to retired members on December 31, 1975 were increased 10%.

A widower of a member became entitled to the same 50% pension as a widow on the death of a member.

**1976** — Optional service, being service with another governmental employer or war service was added to the supplementary benefit program.

**1977** — Pension formula changed from 2.2% career average earnings basis to a 2% final average earnings basis.



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Benefits

as at January 1, 1978

### Basic Benefits

Normal Retirement at age 65 — except in the case of policemen and firemen who may, if the employer elects, retire at age 60.

The annual amount of **normal retirement pension** payable to a member is 2% of pensionable earnings multiplied by credited service, reduced when the member becomes entitled to a pension under the Canada Pension Plan. In this formula:

"pensionable earnings" means the annual average of the 60 highest consecutive months of earnings on which contributions have been made;

"credited service" means the continuous service of a member during the period of time contributions have been made;

"CPP reduction" means 0.7% of the annual average of the Year's Maximum Pensionable Earnings under the CPP in the year of retirement and the two preceding years times credited service since January 1, 1966.

Members are guaranteed the amount of pension earned to December 31, 1977 on the former career average formula if such pension is greater than the pension calculated in the above formula for credited service to December 31, 1977 only.

A **total and permanent disability retirement benefit** for a disability in the first two years that renders a member incapable of performing the duties of his or her position and thereafter of any substantially gainful employment. The totally disabled member may continue to accrue credited service without contribution until normal retirement age or may elect a disability pension which will commence four months after the date of disability.

A **pension to a widow or widower** of one-half the member's pension plus 10% for each child under 21 years of age to a maximum of 25% and where no widow or widower a pension of one-half the member's pension to the child or children of the member under 21 years of age.

A **deferred pension**, payable at normal retirement age, if a member ceases to be employed before his normal retirement date — the pension benefits earned by a member under the System vest immediately in the member.

An **early retirement pension**, commencing within the 10 year period before normal retirement age, which is the actuarial equivalent of the normal retirement pension.

A **refund** of the contributions of a member plus interest if the member terminates his employment, except if at termination the member has ten years of continuous service with the employer and is over 45 years of age, his contributions made after January 1, 1965 may not be refunded.

**Portability** of the pension accumulation if a member transfers employment from one participating employer to another within 6 months and to other governmental pension plans under special reciprocal transfer agreements.

### Supplementary Benefits

#### Type I — Final Average Earnings, Prior Service Pension

The Type I provides a benefit based on 2% of final average earnings and service before enrolment in OMERS. Any pension earned under a prior service agreement or approved pension plan during this period of prior service is deducted.

#### Type II — Current Average Earnings, Prior Service Pension

The Type II provides a benefit based on current average annual earnings and service before enrolment in OMERS.

The Type II pension benefit is a fixed amount and any pension earned under a prior service agreement or approved pension plan during this period of prior service is deducted.

#### Type III — Unreduced Early Retirement Pension

Normally, if a member retires early (within 10 years of normal retirement date) the pension benefit payable under a Type I or II supplementary benefit and the Basic Plan is actuarially reduced. The Type III benefit provides for payment of the amount of this reduction if a member retires within 10 years of normal retirement date under the following conditions:

- (a) completion of 30 or more years of continuous service with the employer, or
- (b) retirement due to permanent partial disability as determined by the employer.



The Type III benefit may be provided using only one of the conditions (a) or (b) above. It may be combined with the Basic OMERS plan only or with a Type I or Type II Agreement.

**Contributions** — Under supplementary benefits the employer entering into the agreement with the Board is responsible for the additional costs, however, the mem-

bers covered under the agreement may also contribute to the costs.

**Optional Service** — The service of a member with another governmental employer or war service may be added to a Type I or Type II benefit and the member must contribute on a formula basis to be entitled to this service. This service becomes additional prior service of the member.





**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND**  
**Summary of Marketable Securities**  
**as at December 31, 1977**

(\$ Million)

<u>Description of Investment</u>	<u>Amortized Book Value</u>	<u>Estimated Market Value</u>
<b>Mortgages</b>	<u>\$ 92.724</u>	<u>\$ 97.788</u>
<b>Bonds</b>		
Government or Government Guaranteed	\$ 13.955	\$ 13.974
Corporate	28.748	29.408
	<u>\$ 42.703</u>	<u>\$ 43.382</u>
<b>Equities</b>		
Mutual Funds	\$ 10.558	\$ 11.889
Common Stock	3.186	3.067
Investment Trust Units	1.317	1.350
	<u>\$ 15.061</u>	<u>\$ 16.306</u>
<b>Real Estate</b>		
Debentures	\$ 2.609	\$ 2.609
Equity	5.010	5.010
	<u>\$ 7.619</u>	<u>\$ 7.619</u>
<b>Total</b>	<u><u>\$158.107</u></u>	<u><u>\$165.095</u></u>



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# 1978 ANNUAL REPORT



ONTARIO MUNICIPAL EMPLOYEES  
RETIREMENT BOARD



**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD**

**1978 ANNUAL REPORT**





ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD  
2 BLOOR STREET WEST (27TH FLOOR), TORONTO, ONTARIO M4W 3E2, (416) 967-0637

Mr. Frank S. Miller  
Treasurer of Ontario  
and Minister of Treasury  
and Economics  
7th Floor  
Frost Building South  
Queen's Park  
Toronto, Ontario

Dear Mr. Miller:

It is my pleasure to present to you on behalf of the Board the Annual Report of The Ontario Municipal Employees Retirement Board for the year ending December 31, 1978 in accordance with section 3(6) of The Ontario Municipal Employees Retirement System Act.

The accompanying report outlines the activities for 1978 and various statistical and financial information at year end. There are 993 municipalities, school boards, utility commissions and various other local boards of municipalities participating in OMERS at this time. On December 31, 1978, there were 115,615 local government employees contributing to the System and 14,997 retired employees or their beneficiaries receiving monthly pensions. The Board is responsible for the investments of the Fund which at year end amounted to \$1,622,000,000, with \$328,000,000 of this amount invested in the traditional capital markets, and the balance in non-marketable special Ontario debentures.

1978 marked the most significant change to OMERS since it became operative sixteen years ago when the "career average earnings" formula for calculating pension benefits was replaced with a "final average earnings" formula which bases pensions on years of service and earnings at or near retirement. The actuarial valuation of the Fund on January 1, 1978 indicates that the current level of member and employer contributions, together with the assets and investment income is sufficient to provide for the pension benefits indicating a strong financial position.

On behalf of the members of the Board, I would like to thank you and your predecessor Mr. McKeough for your guidance and assistance during the year and for the opportunity of serving the members and employers as members of the Board. It is a most challenging and rewarding experience.

The accompanying report is respectfully submitted to you.

Yours truly,

A handwritten signature in dark ink, appearing to read 'C. R. Bernardi'.

C. R. Bernardi  
Chairman of the Board





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# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

as at December 31, 1978

## BOARD MEMBERS

Mr. R. F. Bevan, Chairman  
Superintendent  
Niagara Regional Police Force

Mr. C. R. Bernardi  
Director of Personnel & Labour Relations  
City of Sault Ste. Marie

Mr. G. E. Boyce  
Superintendent of Business Administration  
Sudbury Board of Education

Mr. S. P. Dobbin, Employee  
Toronto Board of Education

Mr. E. Hothersall  
Secretary Treasurer  
Ontario Professional Fire Fighters' Association

Mr. G. McIntyre  
Ministry of Treasury and Economics

Mr. A. Roberts  
Consumer Relations Representative  
St. Catharines Public Utilities Commission

Mr. D. C. Schaefer  
Treasurer  
City of Waterloo

Mr. G. D. Spry  
Ministry of Natural Resources

Mrs. E. Stewart  
Reeve  
Township of Gloucester

\* Mr. E. C. Hill, Vice-Chairman, resigned November 30, 1978.

## INVESTMENT POLICY COMMITTEE OF THE BOARD

Mr. R. M. MacIntosh, Chairman  
Bank of Nova Scotia

Mr. J. C. C. Wansbrough, Vice-Chairman  
National Trust Company Limited

Mr. H. M. Cunningham  
Canada Packers Limited

Mr. N. J. Short  
Guardian Capital Group Limited

Mr. D. C. Schaefer  
Member of the Board

Mr. G. D. Spry  
Member of the Board

Mr. A. W. Reeve  
Executive Director

Mr. D. A. Beggs  
Director of Investments

## ADVISORS

Mr. R. A. Field  
The Wyatt Company  
Actuaries

Coopers & Lybrand  
Auditors

Mr. Purdy Crawford, Q.C.  
Osler, Hoskin and Harcourt

Dr. R. G. MacKenzie  
Medical Advisor

## STAFF

Mr. A. W. Reeve  
Executive Director

Mr. G. A. Tyson  
Director of Pension Administration

Mr. D. A. Beggs  
Director of Investments

Mr. D. W. Barron  
Special Assistant to the Executive Director



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## 1978 ANNUAL REPORT

### INTRODUCTION

January 1, 1978 marked the beginning of a new formula for the calculation of pension benefits from OMERS. Pension benefits are now based on the service of a member while a contributor to the System and on the annual average of the sixty months of consecutive highest earnings of the member. This new formula is referred to as a "final average earnings" formula because, for most members, their highest earnings will be in their final years of service prior to retirement.

This change from "career average earnings" to "final average earnings" together with other benefit changes, has resulted in additional administrative requirements for both the participating employers and for the staff of OMERS. The continued co-operation of nearly one thousand participating employers during this period of change has been most appreciated by OMERS.

This report outlines the major activities during 1978 including the investment of funds in marketable securities and the administration of the various pension programs.

### BOARD RESPONSIBILITIES

The Ontario Municipal Employees Retirement Board is responsible for the management and administration of the System. These responsibilities include organization and staffing, the receipt and investment of funds, the calculation and payment of benefits, the participation of employers, the enrolment of members, the maintenance of individual member records, communication with members and employers, financial reporting and reviewing actuarial valuations of the Fund.

The Board also undertakes research and studies in benefit development and other current pension matters and makes recommendations for changes to The OMERS Act and Regulations.

The Board is comprised of eleven members who are appointed by the Lieutenant Governor in Council to three year terms with about one-third of the membership completing their term each year. Of the eleven members of the Board, seven are employees of local government, two are elected officials of local government and two are Provincial civil servants.

### THE PENSION PROGRAM

The OMERS pension program divides into four main parts:

- (i) the basic OMERS plan to which each of the 993 participating employers and each of the 115,615 members contribute at uniform rates and receive pension benefits based on the same formula;
- (ii) the supplementary benefit program which establishes pension benefits for the service of a member prior to participation in the basic OMERS plan, special early retirement pensions or optional service entitlements and are provided by individual employers for all or groups of employees;
- (iii) prior service agreements, which absorbed pension plans in existence prior to the establishment of OMERS;
- (iv) a scheme whereby individual employers may increase the pensions being paid to retired former employees or their beneficiaries.

The Board is also authorized to manage and administer other governmental pension plans separate and distinct from OMERS. Under separate agreements, the Board manages the pension plans of Ryerson Polytechnical Institute, the Colleges of Applied Arts and Technology, the Elliot Lake Centre d'Elliot Lake and for the Caucus Employees of the Legislature. These pension plans are referred to as "managed plans" throughout this report.

## MAJOR ACTIVITIES — 1978

There were no changes to The OMERS Act during 1978. The Regulations made under the Act were significantly amended in 1977 for the change to a final average earnings pension formula and these amendments took effect on January 1, 1978.

The Regulations were further amended to provide a 3% increase in pensions under payment beginning on March 1, 1978 for all persons receiving a pension on December 31, 1977. In making the recommendation for this increase, the Board also recommended that this be the last such ad hoc increase to pensions under payment unless alternative means could be found to finance such improvements.

The Board was required to file an actuarial valuation of the Fund as at January 1, 1978 with The Pension Commission of Ontario. Details of this valuation are presented later in this report. This valuation required the co-operation of each participating employer in filing the 1977 member contribution and salary data as soon as possible in 1978. All employers met the deadline of May 31, 1978 with the exception of four employers who returned the data in June. This was an outstanding achievement considering that in prior years many employers did not file this information until August and September. The Board is very appreciative of this co-operation and effort by the participating employers.

The introduction of a final average earnings pension formula duplicated the future service portion of supplementary benefit agreements. Member contributions to these future service supplementary benefits and, in some instances, the employer contributions, were surplus funds and could be returned to the members and employers. There were 111 employers involved and 18,186 members. The members were allowed a cash refund if their contributions and interest amounted to \$250 or less and a transfer to a registered retirement savings plan or additional voluntary pension in OMERS if greater than \$250. This method of rebating member funds was established by the Federal Department of National Revenue after discussions with OMERS officials. The release of employer "surplus" funds to about 50 employers will proceed with the approval of The Pension Commission of Ontario as a partial wind-up of their pension program.

The change to the basic OMERS plan also affected 397 members who transferred funds to OMERS from other governmental pension funds. The original transfers to OMERS provided these members with a fixed amount of pension payable at their normal retirement age. With the new final average earnings formula the fixed annual pensions were converted to a period of credited service depending on the funds received by OMERS from the transfer.

The Board presented a brief to the Royal Commission on Pensions in Ontario, and the Chairman, Executive Director and Actuary attended a Commission hearing to discuss the brief and other matters of interest to the Commission. The Board has reviewed all briefs submitted to the Royal Commission and is awaiting with interest the findings of the Commission and, of course, any action of the Provincial Government.

## COMMUNICATION

The Board issued the "OMERS UPDATE" in January, May and October of 1978. UPDATE provides a summary of all Board activities emanating from the four monthly meetings of the Board preceding each issue. Copies of UPDATE are sent to each employer in sufficient quantity so that they can be posted at the various work places of employees and, in this way, the Board can communicate current activities with the employees and employers.

During 1978 the Board sent a sufficient number of member handbooks describing the new final average formula to each employer for distribution to each member of the plan. Revised pamphlets explaining supplementary benefits were also prepared and issued on request to members and employers during 1978.

Continuing the practice established in 1976, the Board held two regular Board meetings outside Toronto. In May, the Board met in Ottawa and in September in Thunder Bay. On both occasions an open forum meeting was arranged with member and employer representatives from the surrounding area to discuss all aspects of OMERS. These meetings have proved very beneficial to those attending and to the Board members. The Board intends to continue to hold two meetings each year in various parts of the Province and member and employer meetings in Toronto.



## PENSION ADMINISTRATION

### Finance

Schedule 1 of this report presents a ten year review of major financial and membership statistics.

The following table highlights certain financial aspects of the basic plan and the changes from 1977:

(\$ Thousands)	1978	1977	% Increase 1978/1977
Member Contributions	\$102,537	\$ 70,301	46%
Employer Contributions	103,934	70,775	47
Investment Income	108,423	84,267	29
Pension Payments	21,649	16,660	30
Member Refunds and Transfers	20,081	9,080	121
Administrative Expenses:			
Pension Program	1,564	1,330	18
Investment Program	365	209	75
Administrative Expenses Recovered	526	564	(7)
Funds Held in Trust:			
Supplementary Benefits	129,017	118,712	9
Prior Service Agreements	7,987	8,003	—
Managed Plans	182,805	145,852	25

With the introduction of investments in marketable securities in 1975 and the decision to operate this program with staff of the Board and outside advisors on a policy committee of the Board, the administrative costs associated with this program have increased from year to year in relation to the size of the funds invested. The administrative costs related solely to the investment program are now recorded separately from the administrative costs related to the pension program. The investment program costs will be deducted from the income derived each year from the investments in determining the applicable rate of return.

The following table provides a four year summary of the investment program administrative costs and compares these costs to the year end portfolio of marketable securities at cost, indicating declining expenditures in relation to the portfolio:

(\$ Thousands)	1978	1977	1976	1975
Investment Program				
Administrative Costs	\$ 364	\$ 209	\$ 111	\$ 81
Investments at Cost	328,057	158,107	76,684	15,744
Costs as a Percentage of Portfolio	0.11%	0.13%	0.14%	0.51%

The pension program administrative expenses for the four year period 1975 to 1978 are shown in the following table, together with management fees received from the administration of managed plans and supplementary benefit agreements. The net pension expenses are then compared to year end membership comprising contributing and retired members.

(\$ Thousands)	1978	1977	1976	1975
Pension Program				
Administrative Costs	\$ 1,564	\$ 1,330	\$ 1,316	\$ 1,102
Fee Recoveries	526	564	567	410
Net Costs	\$ 1,038	\$ 766	\$ 749	\$ 692
Year End Membership (Active, Deferred, Pensioners)	134,076	123,049	117,301	111,232
Cost Per Member	\$7.74	\$6.23	\$6.39	\$6.22

The cost per member in 1978 increased 24% or \$1.51 per member over the comparable cost per member in 1977. 10% of the increase relates to lower management fee recoveries from supplementary benefit agreements resulting from the change to the final average earnings formula. The remaining increase per member reflects greater administrative requirements for the final average earnings pension plan, particularly in the first year of operation.

### Membership

On December 31, 1978, there were 993 participating employers comprising 465 municipalities, 123 school boards and 405 other local boards.

At year end, there were 115,615 members contributing to the System, an increase of 9.0% over 1977 membership. This increase of 9,585 members showed a fairly even distribution with a 10% increase in municipal employers, 7% in school board employers and 8% for other local board employers.

The change in membership in 1978 is comprised of the following activity:

Contributing Members, January 1, 1978	106,030
Members Enrolled	19,023
	125,053
Terminated Members Electing:	
— a refund of contributions	6,598
— a deferred pension	510
— a transfer to another plan	79
Disabled Members Electing Waiver	273
Members Retiring on Pensions	1,646
Deaths of Members	332
Contributing Members, December 31, 1978	115,615

The number of retired members or their beneficiaries receiving monthly pensions from OMERS increased 14% in 1978 from 13,160 to 14,997 persons. The amount paid to pensioners in 1978 was \$21,710,884, an increase of 30% over similar payments in 1977. This increase reflects the greater number of pensioners, the 3% increase in pensions granted March 1, 1978 and the larger pensions for new pensioners because of longer periods of service in the System. During the year, 2,055 new pensioners were added and 511 pensioners died or ceased to receive a pension with 241 spouse benefits continuing to be paid. The pensions being paid to 735 new pensioners were re-calculated in 1978 because of salary adjustments after their retirement dates.

On December 31, 1978, there were 4,092 members who had terminated and elected to leave their contributions in the System to receive a deferred pension commencing on their normal retirement date. During 1978, there were 510 members who elected a deferred pension benefit on termination of service or about 7% of terminating members in 1978.

There are 993 employers participating in OMERS with 115,615 contributing members, or an average of 115 members for each employer. However, over half the employers have fewer than 25 members and over half the membership is represented by about 50 employers. This "pooling" of resources and experience between large and small groups of employees allows the System to provide reasonable pension benefits at uniform rates of contribution to many small units of local government that otherwise would be denied the type of pension provided by OMERS.

Another advantage of a multi-employer pension plan such as OMERS is the full portability of pension benefits when a member transfers employment from one participating employer to another. This feature of the System has been beneficial to 4,000 members of OMERS who have contributed while employed by two or more different employers. It has also facilitated the transfers of employees when the School Boards were consolidated, regional governments formed and county and local hydro restructuring took place.

The supplementary benefit program underwent major changes in 1978 when the future service component was made redundant with the introduction of a final average earnings formula in the basic plan and each agreement is being revalued as at January 1, 1978 to reflect these changes and new agreements are being executed between the employer and the Board.

## INVESTMENT PROGRAM

### General Comment

OMERS receives funds each year from contributions made by members and employers to the basic plan, contributions received from the four managed plans, contributions received under supplementary agreements, interest and dividends from investments and proceeds from the sale of investments. OMERS pays out funds each year for benefits and administrative expenses and the difference between the funds received and paid out each year is available for investment by the Board. The powers and limitations on the investments available to the Board are set out in The OMERS Act.

The investments made by OMERS from January 1, 1963 to December 1, 1974 were all in special Provincial debentures which were not marketable. From January 1, 1975 to December 31, 1978 investments were in both marketable securities and the special Provincial debentures. Beginning in 1979 all funds available for investment will be in marketable securities.

### Provincial Debentures

The last investment in special Provincial debentures was made on December 31, 1978 in the amount of \$121,300,000 for a term of 28 years and bearing an interest rate of 9.77% per annum payable semi-annually.

The following table summarizes all investments in the special Provincial debentures since the establishment of OMERS in 1963:

<u>Year of Issue</u>	<u>Term</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1963	30 years	\$ 4,400,000	5.49%
1964	30	10,700,000	5.56
1965	30	14,100,000	5.54
1966	30	20,100,000	6.00
1967	30	24,900,000	6.30
1968	30	33,100,000	7.21
1969	30	46,700,000	8.19
1970	30	57,600,000	9.10
1971	30	75,000,000	7.85
1972	30	91,300,000	8.02
1973	20	125,100,000	8.15
1974	20	138,125,000	9.81
1975	20	168,150,000	10.05
1976	26	174,500,000	10.28
1977	26	187,950,000	9.45
1978	28	121,300,000	9.77

As at December 31, 1978, OMERS held \$1,293,025,000 special Provincial debentures with an average interest rate of 9.07% and an average term of 21 years. For the next fifteen years, until the first debenture becomes due and payable, OMERS will receive an annual interest payment of \$117,250,592, half payable on June 30th and half payable on December 31st each year.

## Marketable Investments

In 1975 The OMERS Act was amended to allow the Board to invest a portion of available funds in marketable securities within the limitations prescribed in The Pension Benefits Act. The Act also allowed the Board to establish an Investment Policy Committee which now comprises eight members. Two of the members are members of the OMERS Board, two are senior staff of the Board and four are persons with senior investment experience in the private sector.

The Investment Policy Committee was formed in May of 1975 and has met on a regular monthly basis since that time. The Committee recommends broad investment policies to the Board for approval, develops shorter term strategies within this policy and determines the investment latitude and criteria for the day to day investments by the staff of the Board.

The Investment policy established by the Board in 1975 remained intact until the end of 1978 when the Investment Policy Committee recommended a change which was accepted by the Board.

This policy and the recent recommended changes are as follows:

Class of Asset	Minimum-Maximum Percentage of Total Portfolio	
	1979	1975 to 1978
Mortgages	30% to 75%	50% to 75%
Bonds	20% to 50%	20% to 40%
Common-Stock (Equities)	0 to 30%	0 to 20%
Real Estate	0 to 10%	0 to 20%

The change in policy was initiated to meet the changing investment climate expected in 1979. The lack of supply of new mortgages meeting the standards set by the Committee suggested that this portion of the portfolio could drop below 50%. To offset this possibility, the maximum portion that would be invested in bonds or common stocks was increased to 50% and 30% respectively. The reduction in real estate from 20% to 10% merely reflects a more appropriate maximum level attainable over time for this type of investment.

The transition from an investment portfolio exclusively investing in non-marketable Provincial debentures to a portfolio investing entirely in the traditional capital markets has been achieved in four years. The following table traces the history of this transition with an estimate for 1979.

## FUNDS AVAILABLE FOR INVESTMENT EACH YEAR

(\$ Millions) Year	Marketable Securities		Provincial Debentures		Total	
1974	—	—	\$138.125	100.0%	\$138.125	100.0%
1975	\$15.700	8.5%	168.150	91.5	183.850	100.0
1976	61.000	25.9	174.500	74.1	235.500	100.0
1977	81.400	30.2	187.950	69.8	269.350	100.0
1978	170.000	58.4	121.300	41.6	291.300	100.0
1979	420.000(E)	100.0	—	—	420.000(E)	100.0

This rapid transition to investments in marketable securities has resulted in a considerable growth in this portion of the portfolio which should again double in size in 1979. A four year summary of the marketable investments by asset class provides an indication of how these funds were invested within the policies established by the Board.

(\$ Millions)

YEAR-END MARKETABLE INVESTMENTS AT COST

Class of Asset	<u>1978</u>		<u>1977</u>		<u>1976</u>		<u>1975</u>	
Mortgages	\$175.243	53.3%	\$ 92.724	58.7%	\$38.576	50.3%	\$ 7.359	46.7%
Bonds	71.264	21.7	42.703	27.0	27.278	35.6	6.874	43.7
Equities	56.380	17.2	15.061	9.5	8.287	10.8	.500	3.2
Real Estate	12.490	3.8	7.619	4.8	2.543	3.3	1.010	6.4
Short Term	13.221	4.0	—	—	—	—	—	—
	<u>\$328.598</u>	<u>100.0%</u>	<u>\$158.107</u>	<u>100.0%</u>	<u>\$76.684</u>	<u>100.0%</u>	<u>\$15.743</u>	<u>100.0%</u>

The marketable portfolio undergoes asset mix changes during a year as cash flow is deployed and as various holdings are sold and re-invested in other sectors. The following table shows the net increase each year in the various asset classes.

(\$ Millions)

NET MARKETABLE INVESTMENT EACH YEAR AT COST

Class of Asset	<u>1978</u>		<u>1977</u>		<u>1976</u>		<u>1975</u>	
Mortgages	\$ 82.519	48.7%	\$54.148	66.5%	\$31.217	51.2%	\$ 7.359	46.7%
Bonds	28.561	16.8	15.425	18.9	20.404	33.5	6.874	43.7
Equities	41.319	24.2	6.774	8.3	7.787	12.8	.500	3.2
Real Estate	4.871	2.6	5.076	6.3	1.533	2.5	1.010	6.4
Short Term	13.221	7.7	—	—	—	—	—	—
	<u>\$170.491</u>	<u>100.0%</u>	<u>\$81.423</u>	<u>100.0%</u>	<u>\$60.941</u>	<u>100.0%</u>	<u>\$15.743</u>	<u>100.0%</u>

The *mortgage investments* have represented the largest portion of the marketable portfolio since 1975 and now stand at 53.3% of the portfolio. During the period September 30, 1975 to December 31, 1978 interest rates on mortgages fell within a range of 10% to 12% which has produced a relatively high rate of return for the Fund. The following table summarizes this portion of the portfolio at December 31, 1978.

represent 1,380 individual loans and most of these investments were made during the inception of this fund in late 1975 and early 1976. The limited proportion of mortgage investments in residential condominium mortgages indicates a certain reservation to the risks and problems inherent in this type of housing which is relatively new in Canada.

During the latter part of 1978, the availability of mortgage loans meeting the detailed criteria established for this type of investment by the Board slackened. However, future commitments of \$120,720,000 at year end primarily in residential rental mortgage loans will help maintain this portion of the portfolio during 1979.

The *bond portion* of the marketable investment portfolio represents 21.7% of the portfolio at the end of 1978, declining during the year from 27.0%. However, with a decline in the availability of new mortgage loans and a narrowing of the interest rate spread between long term bonds and mortgages towards the end of 1978, the bond portion of the portfolio will receive more investment during 1979 while interest rates remain at historical high levels. Corporate bonds represent 60% of the bond portfolio and are mainly high quality, high interest rate, long term bonds.

(\$ Millions)

<u>Residential</u>	<u>Amortized</u>
	<u>Cost</u>
Single Family	\$ 33.062
Rental	131.128
Condominium	7.749
Nursing Home	.862
	<u>\$172.801</u>
<u>Commercial</u>	<u>2.442</u>
Total	<u>\$175.243</u>

The predominance of residential rental mortgages reflects a heavy participation in programs initiated by the Federal Government through Central Mortgage and Housing Corporation and supported by certain Provincial Governments for assisted rental projects. The residential single family mortgages



The bond portfolio at December 31, 1978 is summarized as follows:

(\$ Millions) Description	Amortized Cost
Government Bonds:	
Canada	\$ 5.917
Provincial	11.625
Municipal	10.456
	<u>\$27.998</u>
Corporate Bonds	<u>43.266</u>
Total	<u>\$71.264</u>

The *equities, or common stock, portion* of the marketable portfolio has undergone a significant increase during 1978, from 9.5% of the portfolio at the beginning of the year to 17.2% at year end. This shift resulted in over one-quarter of funds available for investment in 1978 being directed to the equity portion of the portfolio. The equity sector is approximately one half in Canadian equities and one half in foreign equities and this approach has provided creditable results when compared to other funds investing in equities.

The following table summarizes the equity portion of the portfolio at the end of 1978.

(\$ Millions)	Cost
Canadian Investments:	
Mutual Funds	\$ 7.867
Individual Stocks	22.809
	<u>\$30.676</u>
Foreign Investments:	
Mutual Funds:	
United States	\$ 9.310
Pacific	4.198
World Wide	3.416
Managed Funds:	
Europe/United Kingdom	.674
Individual Stocks:	
United States	8.106
	<u>\$25.704</u>
Total	<u>\$56.380</u>

The above table also indicates that about one-half of the equity portfolio is managed in-house by the staff of the Board (individual stocks) and one-half is managed by outsiders through mutual funds or funds managed on behalf of OMERS.

Until the end of 1977, the objective was to have approximately 10% of the marketable investment portfolio invested in equities, and to avoid the large internal staff necessary to invest in this type of asset, the use of carefully selected mutual funds for most of the equity portfolio was adopted. With the decision in 1978 to increase the share of equities from 10% to approximately 20% of the growing portfolio, specialized staff was engaged by the Board to purchase individual stocks by OMERS. Also during 1978, it was decided to invest directly in the European/United Kingdom markets through outside investment managers. A professional investment management firm in the Netherlands was selected for this purpose and an initial amount of \$5,000,000 was transferred to this firm in December, 1978 with safe custody provided by OMERS' bankers in London, England. At year end \$674,000 had been invested in common stock and the balance held in cash of foreign currencies.

The *real estate portion* of the marketable investment portfolio amounting to \$12,490,000 represents shared ownership of revenue producing assets where the Fund receives the net profit on the operation each year and has the potential for further return as the asset appreciates in value over time. To achieve entry to this type of investment, OMERS has joined with about twenty other pension plans in the ownership of companies which in turn purchase various individual properties. The individual real estate holdings of OMERS includes office and retail facilities, industrial and warehouse plants and residential and hotel properties in major urban centres across Canada. This type of investment has proven very beneficial to date by providing a good rate of return on the investment together with increases in the value of the assets.

*Short term investments* by OMERS are used primarily to fund future commitments in longer term permanent investments.

The average yield in 1978 on the marketable securities was 10.47% using the formula of net investment income (actual incomes less direct investment administrative costs) divided by one-half the sum of the book value of the investments at the beginning of the year and at the end of the year less the net investment income during the year and time weighting the investment by month during the year. This compares to 10.50% in 1977.

The primary objective for the Board in investing available funds in the traditional capital markets is to maximize the rate of return of the invested assets over time, bearing in mind the risks inherent in different classes and types of investment. Members often ask why they cannot receive mortgage loans from the System at reduced interest rates but this would run contrary to the stated objective of maximizing the rate of return. Municipalities often seek capital funds from OMERS at lower than market rates of interest and this again runs contrary to the investment objective of the Board. The investment income provides over one-third of the funds that OMERS needs to pay pensions to those members retiring in the future as well as to help pay current pensions, thus the continued objective of highest rate of return and the safety of the invested assets is a very important aspect of the System.

## ACTUARIAL VALUATION

The actuary presented and discussed with the Board the actuarial valuation of the basic OMERS Fund as at January 1, 1978. This valuation was filed with The Pension Commission of Ontario as required under the provisions of The Pension Benefits Act.

The actuarial valuation as at January 1, 1978 continued the same assumptions of interest, rate of salary increase, mortality, turnover, etc. applicable to the valuations of the last few years. The two assumptions with the greatest impact are the rate of increase to the salaries of members into the future and the rate of interest assumed to be earned on the investments in the future. The valuation assumed a 5% annual increase in members salaries and 6% interest rate on investments. While these rates may appear low in comparison to current salary rate increases and the interest rate earned on current investments, the assumptions are used to project benefits many years in the future and for this reason lower levels of increase are adopted.

The actuarial valuation examines the Fund under two sets of conditions. The first set of conditions, called the "Minimum Method", determines the value of pensions earned by all active members on January 1, 1978 based on their credited service to December 31, 1977 and their earnings projected to their normal retirement date. This is the minimum funding requirement under The Pension Benefits Act. The second set of conditions examined, called the "Level Cost Method", determines the value of pensions to be earned by all active members on January 1, 1978 based on their potential credited service from

date of enrolment in the System to the date of their normal retirement and their earnings projected to their normal retirement age. This method also takes into account as assets the value of future contributions to be made by the members and matched by the employers. Under both methods, the value today of pensions under payment and deferred pensions to be paid at future dates are also taken into consideration. Also, under both methods allowance is made for member terminations and the value of their refunds of contributions. However, under both methods of valuing the Fund, new entrants to the System are not considered.

Under the "Minimum Method" combined member and employer contribution rates are determined which will fund the costs of the additional pension earned by each member for the next year of service after the valuation date. Under the "Level Cost Method", the contribution rates of members and employers are determined to provide for all pension liabilities. This establishes the lowest and highest contribution rates required to fund the basic OMERS plan and the Board, on the advice of the actuary, attempts to have the actual member and employer contributions rates fall between these extremes.

The following tables present the results of the actuarial valuation of the basic OMERS Fund as at January 1, 1978 and the positioning of the actual contribution rates between the low and high extremes.

### Valuation Results as at January 1, 1978 Using

(\$ Millions)	Minimum Method	Level Cost Method
<u>Actuarial Liabilities</u>		
Present Value of:		
Pensions under payment	\$ 193.182	\$ 193.182
Vested deferred pensions	15.226	15.226
Pensions for current contributors and their survivors	912.237	2,870.090
Refunds for present contributors	73.298	216.439
	<u>\$1,193.943</u>	<u>\$3,294.937</u>
<u>Assets</u>		
Assets at January 1, 1978	\$1,078,780	\$1,078,780
Present Value of Estimated Member and Employer Future Contributions	N/A	2,019,453
	<u>\$1,078,780</u>	<u>\$3,098,233</u>
<u>Actuarial Deficiency</u>	<u>\$115.163</u>	<u>\$196.704</u>

Average Combined Member and  
Employer Contribution Rates<sup>(1)</sup>

	<u>Future Service</u>	<u>Deficiency</u>	<u>Total</u>
Minimum Method	9.92%	0.81%	10.73%
Actual Contribution Rates	12.21	N/A	12.21
Level Cost Method	12.21	1.19	13.40

(1) Average contribution rates combine both member and employer contribution rates for normal retirement age 65 and 60 members and also average the contribution rates for earnings up to the Year's Maximum Pensionable Earnings under the Canada Pension Plan and those over the YMPE.

The actual contribution rates of 12.21% fall at about the mid-point between the lowest permissible contribution rate of 10.73% under the Minimum Method and the highest rate of 13.40% under the Level Cost Method. These rates are percentages to be applied to the contributory earnings of members.

The Board is of the opinion that, based on the above valuation results, the basic OMERS Fund is financially sound and the present contribution rates are set at a level that should fund the plan without difficulty in the foreseeable future.

## MANAGED PLANS

The Board manages and administers, separately from OMERS, the pension plans of the following organizations:

Ryerson Polytechnical Institute  
Colleges of Applied Arts and Technology  
Elliot Lake Centre d'Elliot Lake  
Caucus Employees of the Legislature

Each of these plans is administered under a separate agreement and the Board receives a management fee that recovers any administrative expenses associated therewith so there is no charge against the operation of OMERS.

Schedule 2 of this report presents a ten year review of financial and other data related to the managed plans.

## THE BOARD AND ITS ADVISORS

During 1978 Mr. D. C. Schaefer, Treasurer of the City of Waterloo was appointed to the Board replacing Mr. Lloyd Groombridge who had been a member of the Board for ten years. The Board decided to add a second Board member to the Investment Policy Committee of the Board and Mr. Schaefer was chosen for this task joining Mr. G. D. Spry on this important committee.

Mr. E. C. Hill, a trustee of the Huron County School Board and Vice Chairman of the Board resigned from the Board on November 30, 1978 when he ceased to be a member of the school board. At year end an appointment to the Board to fill this vacancy had not been made.

The four members of the Investment Policy Committee of the Board who have senior investment experience in the private sector, Messrs. MacIntosh, Wansbrough, Cunningham and Short, continued to serve on this committee and render valuable service to the Board and, through the Board, to the members of the System.

The actuarial, legal and medical advisors appointed by the Board continued to provide valuable services during 1978 as did the Board's auditors.

The Board employed sixty-four staff during 1978, fifty staff in the pension area, nine directly related to the investment function and five in the management and policy development aspects of OMERS. In addition to the effort of the OMERS staff, the System is well served by the many employees of the 993 participating employers who are also responsible for the day to day administration of the System.

## CONCLUSION

OMERS was established to operate solely for the benefit of the thousands of local government employees in the Province. Hardly a year has gone by without the System being changed to meet the needs of the members and there is no doubt that the future will see further changes to improve the retirement program for local government employees.


# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Balance Sheet

as at December 31, 1978

	1978	1977
<b>Assets</b>		
Investments (note 2)	\$1,621,623,189	\$1,329,832,269
Contributions receivable	25,066,012	18,766,288
Accounts receivable	279,405	242,733
Accrued income	48,206,347	2,550,983
Cash	2,017,660	17,909
	<u>\$1,697,192,613</u>	<u>\$1,351,410,182</u>
<b>Reserves and Liabilities</b>		
Reserves for:		
basic benefits (note 3)	\$1,377,027,453	\$1,078,780,582
prior service benefits (note 4)	7,987,093	8,002,509
supplementary benefits (note 4)	<u>129,016,756</u>	<u>118,712,148</u>
	\$1,514,031,302	\$1,205,495,239
Deposits from administered pension funds (note 5)	\$ 182,805,050	\$ 145,851,807
Accounts payable and accruals	335,384	54,775
Pension benefits payable	<u>20,877</u>	<u>8,361</u>
	<u>\$1,697,192,613</u>	<u>\$1,351,410,182</u>

Signed on behalf of the Board

 Member

 Member



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Statement of the Reserves

for the year ended December 31, 1978

	Basic Benefits Reserve	Prior Service Benefits Reserve	Supple- mentary Benefits Reserve	Total	1977
Balance, beginning of the year	\$1,078,780,582	\$8,002,509	\$118,712,148	\$1,205,495,239	\$ 965,036,419
Increases in reserves					
Contributions of:					
• Members	102,536,563	5,922	1,892,208	104,428,771	75,016,056
• Employers	103,933,854	26,175	23,700,531	127,666,482	98,843,215
	206,470,417	32,097	25,592,739	232,095,253	173,859,271
Income earned from investments	123,429,682	409,923	10,997,219	134,836,824	105,549,040
Administrative expenditures recovered from:					
• Supplementary benefits reserve	255,927			255,927	327,920
• Administered pension funds	270,370			270,370	236,376
	526,297			526,297	564,296
Transfer to basic benefits reserve from:					
• Prior service benefits reserve	457,436			457,436	549,195
• Supplementary benefits reserve	26,029,423			26,029,423	10,883,438
	26,486,859			26,486,859	11,432,633
Transfer to supplementary benefits reserve from:					
• Basic benefits reserve					356,504
• Prior service benefits reserve					470,338
					826,842
	356,913,255	442,020	36,589,958	393,945,233	292,232,082
Decreases in reserves					
Members' pensions	21,648,720			21,648,720	16,659,615
Members' contributions plus interest refunded	19,515,170			19,515,170	8,433,351
Transfers to other pension funds	566,267			566,267	646,584
Income credited to administered pension funds (note 5)	15,006,742			15,006,742	11,907,051
Transfers to basic benefits reserve for:					
• Pensions' present value	377,585		13,627,935	14,005,520	10,044,218
• Members' contributions plus interest refunded	28,286		9,582,012	9,610,298	449,422
• Transfer to other pension plans	51,565		39,906	91,471	938,993
• Conversion NRA 65 to NRA 60			2,412,951	2,412,951	
• Purchase waiting period			2,328	2,328	
• Purchase additional pension			364,291	364,291	
			26,029,423		
	457,436		255,927	255,927	327,920
Administrative expenditures					
Transfer to supplementary benefits reserve from:					
• Basic benefits reserve					356,504
• Prior service benefits reserve					470,338
Administrative expenditures					
• Pensions	1,564,047			1,564,047	1,330,466
• Investments	365,438			365,438	206,800
	58,666,384			58,666,384	51,773,262
	\$1,377,027,453			\$1,514,031,302	\$1,205,495,239
Balance, end of the year					

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Schedule of Administrative Expenditures

for the year ended December 31, 1978

	1978	1977
<b>Personal services including employee benefits</b>		
Salaries of regular staff	\$ 974,079	\$ 796,949
Salaries of casual staff	51,743	29,663
Pensions	71,419	46,765
Unemployment insurance	12,315	9,833
Workmen's Compensation	1,559	1,371
Hospital and medical insurance	29,246	25,986
Term-life insurance	6,152	4,929
Long-term disability insurance	8,172	6,674
	<u>\$1,154,685</u>	<u>\$ 922,170</u>
<b>Transportation and communication</b>		
Travel expenses, including overtime meal allowances	\$ 27,432	\$ 34,514
Telephone	44,530	30,570
Postage and express	42,800	33,906
	<u>\$ 114,762</u>	<u>\$ 98,990</u>
<b>Purchases of service</b>		
Actuarial services	\$ 49,990	\$ 33,690
Audit services	20,400	18,000
Medical services	9,120	4,155
Legal services	34,510	40,746
Other professional services	81,415	37,829
Recruitment and training of employees	4,003	6,693
Rental of offices	137,666	113,140
Rental of equipment, including data processing	80,709	73,348
Maintenance and repair of equipment	3,549	2,622
Electricity	7,034	7,229
Insurance	1,166	2,769
Board's services	28,116	25,594
	<u>\$ 457,678</u>	<u>\$ 365,815</u>
<b>Materials and supplies</b>		
Furniture and equipment purchased	\$ 33,656	\$ 22,711
Supplies and stationery	95,389	67,132
Publications for members and employers	72,007	58,365
Alterations to offices	1,308	4,083
	<u>\$ 202,360</u>	<u>\$ 152,291</u>
<b>Total expenditures</b>	<u><u>\$1,929,485</u></u>	<u><u>\$1,539,266</u></u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements for the year ended December 31, 1978

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Investments*

Investments are recorded in the accounts at cost. Gains or losses on their disposal are credited or charged to income. Income from investments is recorded on the accrual basis.

#### *Contributions*

Member and employer contributions received subsequent to the year-end, but which are applicable to the current year, are recorded as receivables.

#### *Benefits*

Payments for benefits are recorded in the year in which such payments are made.

### 2. INVESTMENTS

The following is a description of the investments:

- (a) Province of Ontario debentures issued under section 7(3) of The Ontario Municipal Employees Retirement System Act.

<u>Date of Maturity</u>	<u>Weighted Average Interest Rate</u>	<u>Cost</u>
December 31, 1993	8.06%	\$ 129,500,000
December 31, 1994	9.50%	148,825,000
December 31, 1995	9.70%	182,250,000
December 31, 1996	6.00%	20,100,000
December 31, 1997	6.30%	24,900,000
December 31, 1998	7.21%	33,100,000
December 31, 1999	8.19%	46,700,000
December 31, 2000	9.10%	57,600,000
December 31, 2001	7.85%	75,000,000
December 31, 2002	9.50%	265,800,000
December 31, 2003	9.45%	187,950,000
December 31, 2006	9.77%	121,300,000
		<u>\$1,293,025,000</u>

Market value for the Ontario debentures has not been determined as these debentures have no quoted market value.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements for the year ended December 31, 1978

### 2. INVESTMENTS (continued)

(b) Investments commencing September 30, 1975 under section 7(3b) of The Ontario Municipal Employees Retirement System Act which are subject to the limitations of The Pension Benefits Act.

	<u>1978</u>		<u>1977</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Bonds and Debentures	\$ 69,361,628	\$ 71,263,725	\$ 43,381,855	\$ 42,703,061
Mortgages	172,772,291	175,242,720	97,788,254	92,724,391
Equities	63,187,097	56,379,621	16,305,908	15,060,792
Real Estate	16,294,921	12,490,520	7,808,525	7,619,025
Short-Term Deposits	13,221,603	13,221,603	—	—
	<u>\$334,837,540</u>	<u>\$328,598,189</u>	<u>\$165,284,542</u>	<u>\$158,107,269</u>

Market value is quoted value for bonds and debentures and equities.

Market value for mortgages is computed based on market yields.

Market value for real estate is appraised value provided by property management.

(c) Total portfolio, at cost	\$1,621,623,189	\$1,329,832,269
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### 3. BASIC BENEFITS RESERVE

The basic benefits reserve is maintained for the payment of pensions to retired members or their beneficiaries and the future payment of pensions and benefits to contributing members and to terminated members who have elected a deferred pension.

The latest actuarial valuation of the fund dated January 1, 1978 determined the total actuarial liabilities of the Fund for basic benefits to be \$1,193,943,000 using the minimum funding basis provided under The Pension Benefits Act. The basic benefits reserve to meet these liabilities as at December 31, 1977 was \$1,078,780,000 resulting in an actuarial deficiency of \$115,163,000.

The minimum annual amount required to amortize the deficiency over 15 years is calculated to be \$11,976,000 (plus 1% for administrative expenses).

The results of the valuation projected to December 31, 1978 indicate that the existing levels of member and employer contributions are sufficient to meet the cost of benefits to be earned in each calendar year and to meet the special annual payments referred to above.

As at December 31, 1978 the basic benefits reserve available to meet actuarial liabilities at January 1, 1979 was \$1,377,027,453.

# **ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND**

## **Notes to the Financial Statements for the year ended December 31, 1978**

### **4. PRIOR SERVICE AND SUPPLEMENTARY BENEFITS RESERVES**

Under the terms of The Ontario Municipal Employees Retirement System Act various participating employers have entered into agreements with the Board for the provision of prior service and/or supplementary benefits. After December 31, 1977 prior service benefits may only be provided under a supplementary agreement. Each employer is responsible, individually, for the cost of funding such benefits.

### **5. ADMINISTERED PENSION FUNDS**

The administered pension funds (which are administered on behalf of the Colleges of Applied Arts and Technology, the Ryerson Polytechnical Institute, the Elliot Lake Centre d'Elliot Lake and the Caucus Employees Retirement Plan) are credited with amounts which are equal to the income received by the Fund from the investment of the monies deposited in the Fund by the administered pension funds.

### **6. COMMITMENTS**

Mortgage commitments outstanding at December 31, 1978 amounted to approximately \$121,000,000.

The administration of the Fund is conducted on leased premises and the Board has entered into a lease agreement which involves a minimum annual rental of \$120,638 to 1981 and \$96,330 to 1986.

# COOPERS & LYBRAND

CHARTERED ACCOUNTANTS

TELEPHONE (416) 869-1130

CABLES COLYBRAND

TELEX 06-23590

145 KING STREET WEST

TORONTO, ONTARIO, CANADA M5H 1V8

OFFICES THROUGHOUT CANADA  
AND IN PRINCIPAL AREAS  
OF THE WORLD

March 30, 1979

## AUDITORS' REPORT

TO THE

### ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

We have examined the balance sheet of the Ontario Municipal Employees Retirement Fund as at December 31, 1978 and the statement of the reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1978 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



CHARTERED ACCOUNTANTS

BOSTON  
CHICAGO  
CLEVELAND  
DALLAS  
DETROIT  
FORT WORTH  
HONOLULU  
HOUSTON  
LOS ANGELES  
MIAMI

THE *Wyatt* COMPANY

ACTUARIES-EMPLOYEE BENEFIT CONSULTANTS-RISK MANAGEMENT CONSULTANTS  
INTERNATIONAL BENEFITS-EMPLOYEE COMMUNICATIONS  
141 ADELAIDE STREET WEST  
TORONTO, ONTARIO M5H 3L5

(416) 862-0393

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SAN FRANCISCO  
WASHINGTON  
MONTREAL  
OTTAWA  
TORONTO  
VANCOUVER

Actuarial Certificate at December 31, 1978

Ontario Municipal Employees Retirement Fund

The most recent actuarial valuation of the above Plan was conducted at January 1, 1978 using the unit credit cost method.

The results of the valuation reflect the major amendments made to the Plan as at January 1, 1978 involving the change from a retirement benefit based on career-average earnings to a retirement benefit based on final-average earnings. The results of the valuation indicated an actuarial deficiency of \$115.163 million at January 1, 1978 which is to be funded by special annual payments over a period not exceeding 15 years.

The results of the valuation at January 1, 1978 projected to December 31, 1978 indicate that the existing levels of employee and employer contributions are sufficient to meet the cost of benefits to be earned each calendar year and to meet the special annual payments referred to above until the next actuarial valuation is made.

We are of the opinion, therefore, that the assets of the Fund at December 31, 1978 combined with the value of the remaining special payments are sufficient to meet all the liabilities of the Plan in respect of services rendered by members up to that date.

Respectfully submitted

THE WYATT COMPANY



March 29, 1979

R. Alvin Field, F.S.A.  
Fellow, Canadian Institute of Actuaries



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

Schedule 1

10 Year Review of Financial and Other Data for the Years 1969 to 1978 Inclusive

## Ontario Municipal Employees Retirement System

### Financial Data (in thousands of dollars)

	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
* Investments — Provincial debentures	\$1,293,025	\$1,171,725	\$983,775	\$809,275	\$641,125	\$503,000	\$377,900	\$286,600	\$211,800	\$154,000
— Marketable securities	328,598	158,107	76,684	15,744						

### \* Reserves for

basic benefits	1,377,027	1,078,781	869,076	690,646	545,304	432,891	331,754	255,628	191,265	140,233
prior service benefits	7,987	8,002	8,247	7,654	7,381	7,178	6,922	6,894	6,800	6,489
supplementary benefits	129,017	118,712	87,713	56,841	36,789	25,300	18,731	15,521	9,753	4,853
	1,514,031	1,205,495	965,036	755,141	589,474	465,369	354,197	272,275	204,423	151,575

### Contributions for

basic benefits	206,470	141,075	127,315	108,497	85,535	72,645	62,766	53,311	44,271	36,055
prior service benefits	32	348	827	404	382	323	383	223	292	200
supplementary benefits	25,691	32,436	33,017	22,286	13,857	11,708	6,876	4,261	2,170	4,438
	232,095	173,859	161,159	129,187	99,774	84,676	70,025	57,795	46,733	40,693

### Income earned

Income credited to Administered Pension Funds	134,837	105,549	80,536	59,666	44,353	40,171	23,004	16,605	11,120	7,222
Pensions paid	15,007	11,907	8,649	6,121	4,312	3,262	1,918	1,196	636	273
Administrative expenditures	21,649	16,660	12,867	8,983	6,644	4,612	3,195	2,117	1,276	801

### Amount, gross

Amount, net, credited under terms of supplementary benefit and administered pension funds	1,929	1,539	1,427	1,183	867	606	542	402	358	306
Amount, net, as a percentage of contributions for basic benefits	526	564	567	410	288	235	170	122	142	117

### Members' contributions plus interest refunded

Transfers to other pension funds	0.68%	0.69%	0.68%	0.73%	0.68%	0.51%	0.59%	0.53%	0.49%	0.52%
** Rate of interest on Provincial debentures issued each year	9.77%	9.45%	10.28%	10.09%	9.81%	8.15%	8.02%	7.88%	9.10%	8.19%
*** Average yield on all of the investments	9.25%	9.10%	8.92%	8.48%	8.07%	7.74%	7.72%	7.63%	7.27%	6.43%

## Other Data (number of persons or employers)

### \* Members, contributing

Municipalities	59,691	54,031	52,538	49,133	44,279	40,983	36,293	33,074	29,217	27,134
School boards	29,428	27,529	27,026	26,345	24,787	24,390	23,533	23,062	22,386	21,866
Other local boards	26,496	24,470	22,868	21,797	19,642	18,481	17,432	16,523	15,307	14,622
	115,615	106,030	102,432	97,275	86,708	83,854	77,258	72,659	64,993	59,263

### \* Members, who have elected a deferred pension

* Pensioners	3,464	3,859	3,398	3,194	3,291	2,721	2,107	2,223	1,146	949
Normal	9,415	8,456	7,552	6,639	5,796	4,860	4,069	3,306	2,542	1,815
Early	1,560	1,260	999	782	641	471	358	240	175	130
Disability	870	719	623	510	409	329	257	189	137	102
Widows, widowers and children	3,152	2,725	2,297	1,890	1,548	1,248	979	767	590	430
	14,997	13,160	11,471	9,821	8,394	6,908	5,663	4,502	3,444	2,476

### \* Employers

Municipalities	465	459	450	434	415	431	418	397	391	393
School boards	123	122	123	123	121	116	110	104	100	123
Other local boards	405	399	404	383	371	367	359	359	359	355
	993	980	976	951	919	918	895	860	850	871

\*\*The amount shown for each year as at December 31 is cumulative.

\*\*Rate of interest for the years 1969 and 1970 represent the adjusted rates as authorized by The Ontario Municipal Employees Retirement System Amendment Act, 1973.

\*\*\*These rates represent the average yield on all OMERS investments each year (assuming the excess interest received in 1973 was actually received in the year 1969 on Provincial debentures) and the average yield in 1978 on Provincial debentures was 9.07% and on marketable securities after deducting investment expenses of \$365,000, was 10.47%.



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

Schedule 2

## 10 Year Review of Financial and Other Data for the Years 1969 to 1978 Inclusive

	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
<b>Administered Pension Funds</b>										
Financial Data (in thousands of dollars)										
*Deposits with the Board	\$182,805	\$145,852	\$112,887	\$83,688	\$61,640	\$44,839	\$31,520	\$20,526	\$12,128	\$6,361
*Contributions										
Colleges of Applied Arts and Technology	23,774	21,305	21,705	17,157	13,621	10,585	9,178	7,080	5,367	3,003
Ryerson Polytechnical Institute	2,274	2,264	1,968	1,652	1,309	1,200	988	796	642	553
Elliott Lake Centre d'Elliot Lake	12	4	13	23	16	16	18	22	15	33
Board of Internal Economy	259									
	26,319	23,573	23,686	18,832	14,946	11,801	10,184	7,898	6,024	3,589
Income Credited	14,838	11,907	8,649	6,121	4,312	3,262	1,918	1,196	636	273
Pensions paid	560	406	278	176	123	88	70	55	41	22
Administrative expenditures	308	265	243	200	151	123	108	85	122	75
Members' contributions plus interest refunded	2,151	1,860	1,742	1,724	1,603	1,130	653	526	384	202
Transfers to other pension funds	215	262	311	219	179	51	56	8	43	10
<b>Other Data (number of persons)</b>										
*Members, contributing										
Colleges of Applied Arts and Technology	12,186	11,934	11,731	11,307	11,060	10,097	8,282	7,115	6,107	4,198
Ryerson Polytechnical Institute	928	926	901	895	858	835	798	758	639	577
Elliott Lake Centre d'Elliot Lake	9	2	2	36	16	22	21	21	25	25
Board of Internal Economy	160									
	13,283	12,862	12,634	12,238	11,934	10,954	9,101	7,894	6,771	4,800
*Members who have elected a deferred pension	24	17	5	5	4	1	2	1	1	1
*Pensioners										
Normal	366	297	234	170	129	101	79	56	41	23
Early	32	21	11	3	1	1	1			
Disability	1	1	1	1	1	1	1			
Widows, widowers and children	41	26	18	15	12	8	12	7	4	3
	440	345	264	189	143	115	89	63	45	26

\*The amount shown for each year as at December 31 is cumulative.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Historical Highlights

**1962** — An Act establishing the Ontario Municipal Employees Retirement System was given Royal Assent on April 18th.

**1963** — The first members of the System were enrolled on January 1st and the first contributions received one month later.

**1965** — Amendments were made for the "locking-in" of contributions as required under The Pension Benefits Act.

After July 1, 1965 all persons engaged by a municipality or local board must participate in OMERS to receive pension benefits.

Provision was made for OMERS to manage and administer other pension plans.

**1966** — The contributions and benefits were integrated with the contributions and benefits of the Canada Pension Plan.

Employees of electric utilities became members of OMERS for the first time.

**1967** — The supplementary benefit program was introduced.

**1968** — The eleven member Board was appointed by the Lieutenant Governor in Council on January 1.

The interest rate on the special Provincial debentures issued to OMERS at each year end was increased from 5% to 6½%.

The benefit formula was increased 10% from 2% of career earnings to 2.2% of career earnings.

**1969** — A disabled widower was extended the same benefits as a widow on the death of a member.

**1970** — The interest rate on the special Provincial debentures issued to the Board at each year end was changed from 6½% to the average borrowing costs of the Province during a year.

All basic pension benefits earned or payable on December 31, 1970 were increased by 10%.

**1971** — All basic pension benefits earned or payable at December 31, 1971 were increased by 5%.

In addition to the 50% widows' and disabled widowers' pensions payable on the death of a member, a further pension of 10% for each child of the deceased member to a maximum of 25% was introduced.

**1972** — Councillors became eligible for membership in the System.

All basic pension benefits earned or payable on December 31, 1972 were increased by 5%.

**1973** — An employer could improve the pensions being paid to retired employees through the System.

Rates of interest on special Provincial debentures issued to the Board during the years 1963 to 1969 were retroactively adjusted.

All basic pension benefits earned or payable at December 31, 1973 were increased by 5%.

**1974** — A portion of available funds could be invested in marketable securities under the provisions of The Pension Benefits Act commencing in 1975.

**1975** — All basic pension benefits earned by active and deferred members as at December 31, 1975 were increased by 10%.

All pensions being paid to retired members on December 31, 1975 were increased 10%.

A widower of a member became entitled to the same 50% pension as a widow on the death of a member.

**1976** — Optional service, being service with another governmental employer or war service was added to the supplementary benefit program.

**1978** — Pension formula changed from 2.2% career average earnings basis to a 2% final average earnings basis.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Benefits

as at January 1, 1978

### Basic Benefits

**Normal retirement** at age 65 — except policemen and firemen who may retire at age 60.

The annual **normal retirement pension** payable to a member is 2% of pensionable earnings multiplied by credited service, reduced when the member becomes entitled to a pension under the Canada Pension Plan. In this formula:

"pensionable earnings" means the annual average of the 60 highest consecutive months of earnings;

"credited service" means continuous service when contributions have been made;

"CPP reduction" means 0.7% of the annual average of the Year's Maximum Pensionable Earnings under the CPP in the year of retirement and the two preceding years times credited service since January 1, 1966.

A **total disability retirement benefit** for a disability that, in the first two years renders a member incapable of performing the duties of his or her position and thereafter of any substantially gainful employment. The totally disabled member may continue to accrue credited service without contribution until normal retirement age or may elect a disability pension.

A **pension to a widow or widower** of one-half the member's pension plus 10% for each child under 21 years of age to a maximum of 25% and where no widow or widower a pension of one-half the member's pension to the child or children of the member under 21 years of age.

A **deferred pension**, payable at normal retirement age, if a member ceases to be employed before his normal retirement date — the pension benefits earned by a member under the System vest immediately in the member.

An **early retirement pension**, commencing within the 10 year period before normal retirement age, which is the actuarial equivalent of the normal retirement pension.

A **refund** of the contributions of a member plus interest if the member terminates his employment, except if at termination the member has ten years of continuous service with the employer and is over 45 years of age, when contributions made after January 1, 1965 may not be refunded.

**Portability** of the pension if a member transfers employment from one participating employer to another within 6 months or to other governmental pension plans under special reciprocal transfer agreements.

### Supplementary Benefits

#### Type I — Final Averaging Earnings, Prior Service Pension

The Type I provides a benefit based on 2% of final average earnings and service before enrolment in OMERS. Any pension earned under a prior service agreement or approved pension plan during this period of prior service is deducted.

#### Type II — Current Average Earnings, Prior Service Pension

The Type II provides a benefit based on 2% of current average annual earnings and service before enrolment in OMERS. Any pension earned under a prior service agreement or approved pension plan during this period of prior service is deducted.

#### Type III — Unreduced Early Retirement Pension

Normally, if a member retires early (within 10 years of normal retirement date) the pension benefit payable under a Type I or II supplementary benefit and the Basic Plan is actuarially reduced. The Type III benefit provides for payment of the amount of this reduction if a member retires within 10 years of normal retirement date under the following conditions:

- (a) completion of 30 or more years of continuous service with the employer, or
- (b) retirement due to permanent partial disability as determined by the employer.

**Optional Service** — The service of a member with another governmental employer or war service may be added to a Type I or Type II benefit and the member must contribute on a formula basis to be entitled to this service. This service becomes additional prior service of the member.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Summary of Marketable Securities

### as at December 31, 1978

(\$ Millions)

<u>Class of Asset</u>	<u>Amortized Book Value</u>	<u>Percentage of Portfolio</u>	<u>Estimated Market Value*</u>	<u>Yield on Book Value</u>
<b>Mortgages:</b>				
Residential — Single Family	\$ 33.062	10.1%		10.99%
— Rentals	131.128	39.9		10.79
— Condominiums	7.749	2.4		11.57
— Nursing Homes	.862	0.3		11.38
Commercial	2.442	0.7		10.75
	<u>\$175.243</u>	<u>53.4%</u>	<u>\$172.772</u>	<u>10.87%</u>
<b>Bonds:</b>				
Government — Canada	\$ 5.917	1.8%	\$ 5.858	9.95%
— Provincial	11.625	3.5	11.025	9.68
— Municipal	10.456	3.2	9.993	9.87
Corporate	43.266	13.2	42.485	10.35
	<u>\$ 71.264</u>	<u>21.7%</u>	<u>\$69.361</u>	<u>10.14%</u>
<b>Equities:</b>				
Canada	\$ 30.676	9.3%	\$ 33.948	4.76%
United States	17.416	5.3	18.121	3.97
Pacific	4.198	1.3	5.743	—
Europe/United Kingdom	0.674	0.2	0.673	6.26
World Wide	3.416	1.0	4.702	1.06
	<u>\$ 56.380</u>	<u>17.1%</u>	<u>\$ 63.187</u>	<u>4.12%</u>
<b>Real Estate</b>	<u>\$ 12.491</u>	<u>3.8%</u>	<u>\$ 16.295</u>	<u>8.20%</u>
<b>Short Term and Cash</b>	<u>\$ 13.221</u>	<u>4.0%</u>	<u>\$ 13.221</u>	<u>10.09%</u>
<b>Total</b>	<u><u>\$328.598</u></u>	<u><u>100.0%</u></u>	<u><u>\$334.836</u></u>	<u><u>9.34%</u></u>

**\*Estimated Market Values**

Mortgages:	Computed on current market yields
Bonds:	Quoted values
Equities:	Quoted values
Real Estate:	Appraised values





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# 1979 ANNUAL REPORT

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD





**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD**

**1979 ANNUAL REPORT**





ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD  
2 BLOOR STREET WEST (27TH FLOOR), TORONTO, ONTARIO M4W 3E2, (416) 967-0637

June 1, 1980

The Honourable Frank S. Miller  
Treasurer of Ontario and Minister  
of Treasury and Economics  
Frost Building South  
Queen's Park  
Toronto, Ontario

Dear Mr. Miller:

I am pleased to present on behalf of the Board the Annual Report of The Ontario Municipal Employees Retirement Board for the year ended December 31, 1979 in accordance with section 3(6) of The Ontario Municipal Employees Retirement System Act.

At the end of 1979, there were 117,486 employees of 1,015 municipalities and local boards contributing to the System, and 17,245 pensions being paid to retired municipal employees or their beneficiaries. The Board had also entered into 213 prior service agreements covering 1,895 members for pensions earned before the establishment of OMERS and 229 supplementary agreements with individual employers covering 22,207 members for past service and early retirement benefits. In addition, the Board manages four pension plans separate and distinct from OMERS providing pension benefits for 13,868 employees and 546 pensioners. In total, the Board manages pension plans for 155,456 employees, 17,791 pensioners and 1,460 employers.

The Board is responsible for the investment of the Fund comprising the assets of all of the plans under management and at December 31, 1979 the book value of these investments totalled \$2,052,022,637 with \$1,293,025,000 representing investments in special non-marketable debentures of the Province of Ontario and \$758,997,637 representing amounts invested in the traditional capital markets available to pension funds.

The members of the Board appreciate the opportunity of serving the members and employers and the challenge of managing and administering the System, which is now one of the largest retirement systems in Canada. I would also like to thank you for your guidance and support during the year.

The accompanying report is respectfully submitted to you.

Yours truly,

A handwritten signature in dark ink, appearing to read "Bernardi".

C. R. Bernardi  
Chairman of the Board

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# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

as at December 31, 1979



Mr. C. R. Bernardi, Chairman  
Director of Personnel and  
Labour Relations  
City of Sault Ste. Marie



Mr. A. J. Roberts, Vice-Chairman  
Consumer Relations  
Representative  
St. Catharines Hydro  
Electric Commission



Mr. R. F. Bevan, Past Chairman  
Superintendent  
Niagara Regional Police Force



Mr. G. E. Boyce  
Superintendent -  
Business Administration  
Sudbury Board of Education



Mr. A. P. Clark  
Councillor  
Township of  
Muskoka Lakes



Mr. S. P. Dobbin  
Employee  
Toronto Board of Education



Mr. E. Hothersall  
Secretary Treasurer  
Ontario Professional  
Fire Fighters  
Association



Mr. G. McIntyre  
Ministry of Treasury and  
Economics



Mr. D. C. Schaefer  
Treasurer  
City of Waterloo



Mr. G. D. Spry  
Ministry of Natural Resources



Mrs. E. Stewart  
Reeve  
Township of Gloucester

## **INVESTMENT POLICY COMMITTEE OF THE BOARD**

**as at December 31, 1979**

Mr. R. M. MacIntosh, Chairman  
Canadian Bankers Association

Mr. D. C. Schaefer  
Member of the Board

Mr. J. C. C. Wansbrough, Vice-Chairman  
National Trust Company Limited

Mr. G. D. Spry  
Member of the Board

Mr. H. M. Cunningham  
Cooper, Cunningham, Cockfield Ltd.

Mr. A. W. Reeve  
Executive Director

Mr. N. J. Short  
Guardian Capital Group Limited

Mr. D. A. Beggs  
Director of Investments

### **ADVISORS TO THE BOARD**

R. A. Field, F.C.I.A.  
The Wyatt Company  
Actuary

Purdy Crawford, Q.C.  
Osler, Hoskin and Harcourt  
Legal Advisor

R. G. MacKenzie, M.D.  
Medical Advisor

Coopers & Lybrand  
Auditors

### **SENIOR STAFF**

Mr. A. W. Reeve  
Executive Director

Mr. G. A. Tyson  
Director of Pension Administration

Mr. D. A. Beggs  
Director of Investments

Mr. D. W. Barron  
Special Assistant to the Executive Director





# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## 1979 ANNUAL REPORT

### INTRODUCTION

Since January 1, 1978 the pension benefits of members of OMERS have been based on the service of a member while a contributor to the System and on the annual average of the sixty consecutive months of highest earnings of the member. This formula is referred to as a "final average earnings" formula because, for most members, their highest earnings will be in their final years of service prior to retirement. This change is a significant improvement and provides a protection against inflation since the amount of pension is related to the earnings of a member at retirement.

The "final average earnings" formula and other benefit changes have resulted in additional administrative requirements for both the participating employers and for the staff of OMERS. The continued co-operation of over one thousand participating employers has been most appreciated by OMERS.

This report outlines the major activities during 1979 including the investment of funds in marketable securities and the administration of the various pension programs.

### BOARD RESPONSIBILITIES

The Ontario Municipal Employees Retirement Board is responsible for the management and administration of the System. These responsibilities include organization and staffing, the receipt and investment of funds, the calculation and payment of benefits, the participation of employers, the enrolment of members, the maintenance of individual member records, communication with members and employers, financial reporting and reviewing actuarial valuations of the Fund.

The Board also undertakes research and studies in benefit development and other current pension matters and makes recommendations for changes to The OMERS Act and Regulations.

The Board is comprised of eleven members who are appointed by the Lieutenant Governor in Council to three year terms with about one-third of the membership completing their term each year. Of the eleven members of the Board, seven are employees of local government, two are elected officials of local government and two are Provincial civil servants.

### THE PENSION PROGRAM

The OMERS pension program divides into four main parts:

- (i) the basic OMERS plan to which each of the 1,015 participating employers and each of the 117,486 members contribute at uniform rates and receive pension benefits based on the same formula;
- (ii) the supplementary benefit program which establishes pension benefits for the service of a member prior to participation in the basic OMERS plan, special early retirement pensions or optional service entitlements and are provided by individual employers for all or groups of employees;
- (iii) prior service agreements, which absorbed pension plans in existence prior to the establishment of OMERS;
- (iv) a scheme whereby individual employers may increase the pensions being paid to retired former employees or their beneficiaries.

The Board is also authorized to manage and administer other governmental pension plans separate and distinct from OMERS. Under separate agreements, the Board manages the pension plans of Ryerson Polytechnical Institute, the Colleges of Applied Arts and Technology, the Elliot Lake Centre d'Elliot Lake and for the Caucus Employees of the Legislature. These pension plans are referred to as "managed plans" throughout this report.

## MAJOR ACTIVITIES — 1979

There were two changes to The OMERS Act during 1979. The sections of the Act providing for the investment of funds were amended to allow that all funds available for investment could be invested in marketable securities rather than a portion of such funds. In 1979 all available funds for investment were channelled into marketable securities and no further funds were invested in the special non-marketable Provincial debentures.

A section of the Act which prevents the garnishment, attachment, seizure and assignment of the interests of a person in the Fund was amended so that these restrictions would not apply to the satisfaction of an order for support under The Family Law Reform Act, 1978.

There were a number of amendments to the Regulation made under the Act in 1979. The sections providing for members to purchase as credited service past periods of broken service and waiting periods were amended to correct an ambiguity that appeared to provide an employer an opportunity to deny this provision to members.

The disability retirement benefit was changed to provide that, after the first two years of disability as the result of mental illness, the disability would continue if a medical practitioner specializing in psychiatry or neurology certified that such was the case rather than the previous requirement that the disabled member be in an institution. Certain rewording of the disability retirement benefit section related to the continued accrual of credited service while on disability was introduced for clarification.

The transfer-in provision of section 22 of the Regulation was amended to provide a six month period for a member to purchase by way of a lump sum amount all transferred-in service as credited service under OMERS if the funds transferred from a former plan are insufficient, and to ensure that no more service could be granted under OMERS than was available under the former pension plan.

The optional service provisions of the Regulation were re-written to clarify the situation where funds cannot be released from former pension plans. In addition, the period of service for eligibility for special early retirement supplementary benefits was also clarified.

Near the end of 1979, the Board proposed a number of further changes to the Regulations to correct inadequacies in various sections related to the administration of a final average earnings formula for a multi-employer plan. These proposed amendments have been held in abeyance pending the Report of the Royal Commission on Pensions in Ontario.

The actuarial valuation of the Fund as at January 1, 1978 based on the new final average earnings formula was filed with The Pension Commission of Ontario. The Board requested the actuary to prepare an actuarial valuation as at January 1, 1979 and again on January 1, 1980 so that the progress of the financial status of the Fund under the new formula could be monitored. Unfortunately, the filing of member data for 1978 was delayed by many employers with some of the information not received until 1980. Details of the valuation as at January 1, 1979 were not available for inclusion in this report.

During 1979 the Board completed the project of rebating member future service supplementary contributions which had been made redundant with the change to a final average earnings formula on January 1, 1978. The final tally of these rebates showed that 17,901 members from 115 employers received a rebate. The largest group of 10,961 members transferred their rebate to a RRSP, 2,877 members received cash refunds because the amounts were under \$250 and a further 1,661 left the money with OMERS to purchase additional voluntary pension. The remaining 2,402 members chose a variety of methods primarily to offset other supplementary benefit costs. This particular project required and received excellent co-operation from the employers involved.

During the year the Board examined the guarantee provision contained in section 12 of the Regulation. This provision ensures that the career average earnings pension earned by each member to December 31, 1977 will be paid regardless of the pension earned under the final average earnings formula for service to December 31, 1977 and based on their final average earnings. During 1979, out of 2,214 pensions calculated where the guarantee was a possibility, one-half of these pensions received the guarantee amount. The Board received comment from employers and member groups concerning the adequacy of the guarantee provision, and after

examining this matter in some detail, recommended no change to the present provisions which meet the requirements of The Pension Benefits Act.

The Board spent considerable time examining methods to provide increases to pensions under payment. It was noted in the 1978 Annual Report that there would be no further ad hoc increases to the pensions paid under the System "unless alternate means can be found to finance such improvements". The Board examined various sources of municipal pensions under payment since all municipal pensions are not paid from OMERS. The Board considered whether a universal or an individual employer scheme for pension improvement would be most appropriate and also examined The Superannuation Adjustment Benefits Act which is utilized for Provincial civil servants and teachers. The Board is awaiting the Report of the Royal Commission on Pensions in Ontario which is expected to address this issue and the Board will further examine this matter at that time.

## COMMUNICATION

The Board continued the practice of issuing UPDATE three times a year. UPDATE outlines all matters considered by the Board and all recommendations made by the Board concerning the System. It is a synopsis of the Board meetings which is provided in sufficient quantity to each employer so that it can be posted in the various work places of the members and allow each member an opportunity of knowing what the Board is doing.

One issue of UPDATE in 1979 included a "pension income study" which attempted to show the pre and post retirement incomes of members at various levels and under various circumstances. Further items of general interest are to be included in future issues of UPDATE.

Since 1977 the Board has held regular monthly meetings outside of the Board's offices in Toronto. These meetings are arranged to allow the members and employers to meet personally with the Board members and to emphasize to the plan participants that the Board operates the System for the members and is anxious to discuss any aspect of the System. Meetings have been held in Thunder Bay, Sault Ste. Marie, Ottawa, London and Sudbury, and meetings in Timmins and Kingston are planned for 1980.

## PENSION ADMINISTRATION

### Finance

A five year review of financial and membership highlights is presented in Schedules 1 and 2 of this report.

The following table highlights certain financial aspects of the basic plan and percentage changes from a year ago:

(\$ Thousands)	1979	% Increase	
		1978	1979/1978
Member Contributions	\$111,793	\$102,537	9%
Employer Contributions	114,647	103,934	10
Investment Income	137,381	108,423	27
Pension Payments	28,303	21,081	31
Member Contributions Refunded and Transferred	27,795	21,649	38
Administrative Expenses: Less Recoveries	1,236	1,038	19
Funds Held in Trust:			
Prior Service	5,040	7,987	(37)
Supplementary Benefit	135,544	129,017	5
Managed Plans	226,768	182,805	24

The administration of the pension programs encompasses costs for the basic plan, supplementary benefits agreements, prior service agreements, and the managed plans. The workload associated with these main segments is combined into the various administrative functions and costs are recovered from the supplementary benefits agreements and the managed plans by assessing a charge of 1% of contribution income each year. This ensures that the basic plan administrative costs are not subsidizing these other areas.

The following table examines the pension administrative costs for the last four years, together with fee recoveries and cost per member.

(\$ Thousands)	1979	1978	1977	1976
Pension Administration Costs, Gross	\$1,809	\$1,564	\$1,330	\$1,316
Fee Recoveries	573	526	564	567
Net Costs	\$1,236	\$1,038	\$ 766	\$ 749
Year End Membership (Active, Deferred, Pensioners)	138,051	134,076	123,049	117,301
Cost per Member	\$8.95	\$7.74	\$6.23	\$6.39

The 1979 cost per member was 15.6% higher than in 1978. The major portion of this increase was related to computer time rental and the purchase of

outside programming assistance related to a revised member record system adapted to a final average earnings formula and the changeover from the previous system. These additional costs of \$75,000 represented 55¢ per member and without these costs, the per member cost would have increased 8.5%.

## MEMBERSHIP

On December 31, 1979, there were 473 municipalities, 123 school boards, and 419 other local boards participating in the System for a total of 1,015 employers.

At year end, there were 117,486 members of the System with 52% being employees of municipalities, 25% employees of school boards and 23% employees of other local boards. 35% of the members of the System are female and 13% of the members are policemen or firemen with a normal retirement age of 60.

The change in membership in 1979 is as follows:

Contributing Members, January 1, 1979	115,615	
Members Enrolled	<u>13,168</u>	
	128,783	
Terminated members electing:		
— a refund of contributions	8,150	
— a deferred pension	190	
— a transfer to another plan	69	
Disabled members electing waiver	545	
Members retiring on pensions	2,010	
Deaths of members	<u>333</u>	<u>11,297</u>
Contributing members, December 31, 1979		<u>117,486</u>

The number of members or their beneficiaries receiving pensions from the System increased 15% in 1979 and the amount paid to pensioners in 1979 increased 31% over that paid in 1978. On December 31, 1979, there were 10,550 retired members receiving normal retirement pensions, 1,986 receiving early retirement pensions, 1,078 receiving disability pensions and there were 3,512 spouse benefits under payment and 119 children's pensions being paid.

At year end there were 3,320 members who had elected a deferred pension on termination of service and this is a decrease of 144 members from the beginning of the year. 47 members with a deferred pension entitlement were enrolled in the System and

287 commenced to receive a benefit from the System. 190 members who terminated during the year elected a deferred pension and this represents only 2% of all terminating members entitled to the immediate vesting provision of OMERS. The subject of the "vesting" of pension entitlements on termination of service is a current issue being examined in the many reports on pension plans in Canada and the experience of OMERS over the last few years is of particular interest because the System provides "immediate vesting" on termination and does not require a five or ten year service requirement common to other public sector pension plans.

The following is a summary of the benefit entitlements elected by members terminating service for other than retirement, disability or death:

Benefit	Number of Members			
	1979	1978	1977	1976
Deferred Pension	190	510	951	744
Refund of Contributions	8,150	6,598	5,829	7,016
Transfer to Another Pension Plan	<u>69</u>	<u>79</u>	<u>231</u>	<u>155</u>
	<u>8,409</u>	<u>7,187</u>	<u>7,011</u>	<u>7,915</u>

In the last four years, 30,552 members have terminated their service and 90% elected a refund of contributions and only 10% chose to protect their pension entitlement by electing a deferred pension or transferring their pension credits to the pension plan of their new employer.

There are 1,015 municipalities and local boards participating in the System, an increase of 22 employers over 1978. 522 employers had less than 25 members with an average of 9 members per employer. The 25 employers with the greatest number of members (an average of 1,800) represent 39% of the total membership. When OMERS was established in 1962, one of the main objectives was to provide adequate pensions at reasonable cost to the many smaller municipal employers who would find it difficult to provide such pensions individually. The "pooling" of both large and small groups of employees has proven successful under the multi-employer approach of OMERS.

When OMERS was first established many municipal employers transferred assets in a former pension plan to OMERS under the terms and conditions of prior service agreements. At the end of 1979, the

Board was administering 213 prior service agreements covering 1,895 members and held assets of \$5,040,000 under these agreements. These agreements are gradually diminishing as many of the original covered members have retired over the seventeen year history of OMERS.

Commencing in 1969, OMERS was authorized to provide supplementary benefits to individual employers and their employees. These supplementary benefits are utilized to provide pension benefits for the service of employees prior to the date the employer elected to participate in the System and also to provide for unreduced early retirement pensions for members within the ten year period before their normal retirement age and on completion of at least thirty years of service. On December 31, 1979, the Board had entered into 229 supplementary agreements covering 22,207 members and held assets of \$135,544,000 to fund these benefits.

## INVESTMENT PROGRAM

### Source of Funds

The investment program of OMERS includes the investment of funds generated by the basic plan, prior service agreements, supplementary benefit agreements, and the four managed plans. The funds are derived from member and employer contributions, interest and dividends from investments, sales of investments and capital repayments, less benefit payments and administrative expenses.

### Investment Expenses

From 1963 to 1974 all funds available for investment were invested in special non-marketable Provincial debentures in accordance with the terms of the Act and the administrative expenses were negligible. From 1975 to 1978 available funds were invested in a combination of Provincial debentures and marketable securities, and beginning in 1979 all available funds were invested in the capital markets in accordance with the provisions of The Pension Benefits Act. The investment of funds in the capital markets has resulted in considerable administrative expense.

Certain costs, such as commissions paid on the purchase and sale of securities and servicing fees for mortgages, are added to the purchase price of

the asset or are deducted from income before it is received.

The investment of funds in marketable securities has resulted in expenses comprising staff compensation, office accommodation and equipment, computer facilities, custodian and banking costs, audit and legal costs, communication and normal office costs. The amount of funds invested in marketable securities has grown very rapidly in the last four years and the expenses have increased rapidly as well. To control the level of these investment expenses the Board has established a guideline of 1/10 of 1% (0.10%) of the year end portfolio at cost. A four year summary of the investment expenses is as follows:

(\$ Thousands)	1979	1978	1977	1976
Expenses	\$ 468	\$ 365	\$ 209	\$ 111
Year End Portfolio at Cost	758,997	328,598	158,107	76,684
Expenses as a Percentage of the Portfolio	0.06%	0.11%	0.13%	0.14%

### Portfolio Summary

The following is a summary of the total investments of the Fund at cost:

(\$ Thousands)	As At December 31			
	1979		1978	
Short Term	\$ 71,221	9%	\$ 13,221	4%
Mortgages	283,382	37	175,243	53
Bonds	242,845	32	71,264	22
Equities	142,063	19	56,380	17
Real Estate	19,486	3	12,490	4
Total Marketable Securities	\$ 758,997	100%	\$ 328,598	100%
Special Non-Marketable Provincial Debentures	1,293,025		1,293,025	
Total Portfolio	<u>\$2,052,022</u>		<u>\$1,621,623</u>	

The total portfolio grew 22% in 1978 and 27% in 1979. However, the portion of the portfolio invested in marketable securities grew 108% in 1978 and 131% in 1979. This doubling of the marketable security portion of the portfolio will not occur in future years but will have annual growth rates of approximately 50% in 1980 and 40% in 1981. These are significant growth rates for any pool of capital and have increased considerably the responsibilities of the Board.



## Special Provincial Debentures

The investment of funds in special non-marketable Provincial debentures ceased as of December 31, 1978. The Board receives annual income of \$117,250,592 on these debentures which represents an annual rate of return of 9.07%. Details of these investments will be found in the financial statements of the Fund which are provided later in this report.

## Marketable Investments

When the Board was granted the authority to invest funds in marketable securities, it was also granted authority to appoint an investment policy committee which could comprise members of the Board, officers of the Board and other persons with senior investment experience.

The Board appointed this Committee in 1975 as a standing committee of the Board and the current membership is noted earlier in this report.

The Investment Policy Committee of the Board meets each month and has the responsibility of recommending overall investment policy to the Board, establishing short term strategy for investing funds, recommending investment criteria that establishes the authorities for the staff to undertake actual investments. The Committee also reviews all operational aspects of the investment program.

The primary objective of the Board in investing funds in marketable securities is to maximize the value of the funds invested over time through the addition of investment income and capital appreciation bearing in mind the protection of the capital invested. The current investment policy established by the Board to meet this objective is as follows:

Class of Asset	Minimum-Maximum Percentage of Total Portfolio	
	1980	1979
Mortgages	25% - 75%	30% - 75%
Bonds	20% - 65%	20% - 50%
Equities	0 - 40%	0 - 30%
Real Estate	0 - 10%	0 - 10%
Short Term	0 - 25%	0 - 50%

At the end of 1979 the portion of the portfolio invested in the various classes of assets was within the investment policy.

The average yield on the marketable securities, using the formula of net investment income (income less investment expenses) divided by one-half the sum of the book value of the investments at the beginning of the year and at the end of the year less net investment income during the year and time-weighting the investments by month during the year was 10.88% in 1979. This compares to 10.47% in 1978, 10.50% in 1977 and 9.68% in 1976.

Investments in *mortgages* have received important emphasis since 1975. During 1979 the mortgage market passed through several states of disarray with the discontinuance of Federal and Provincial programs to assist the rental market, a decline in new housing starts and rising interest rates towards the end of 1979 which curtailed the market.

To offset the deterioration of the normal mortgage markets during 1979, investments were made for the first time in graduated payment mortgages on rental properties, public housing projects insured by Central Mortgage and Housing Corporation and in non-insured conventional commercial loans. In some instances, the commercial mortgage loans are at less than the current interest rates but with substantial participation in the net revenues of the commercial undertaking.

The following table compares the mortgage portion of the portfolio at the end of 1978 and 1979:

(\$ Millions)	Amortized Cost	
	1979	1978
<u>Residential</u>		
Single Family	\$ 29.239	\$ 33.062
Rental	234.811	131.128
Condominium	6.893	7.749
Nursing Home	.852	.862
	<u>\$271.795</u>	<u>\$172.801</u>
<u>Commercial</u>	<u>11.587</u>	<u>2.442</u>
Total	<u>\$283.382</u>	<u>\$175.243</u>

Mortgages have declined from over 50% of the portfolio of marketable securities in 1978 to 37% at the end of 1979. In addition, future commitments for payout in 1980 and 1981 totalled \$139 million at year end and this level of future commitment will not sustain the mortgage portion of the portfolio at the current 37% level.

*Bonds*, representing one-third of the portfolio of marketable securities at the end of 1979, received

half of the investment of new funds during the year. The present position of the bond portfolio compared to one year ago is as follows:

(\$ Millions) Description	Amortized Cost	
	1979	1978
Government Bonds:		
Canada	\$ 89.455	\$ 5.917
Provincial	76.751	11.625
Municipal	20.430	10.456
	<u>\$186.636</u>	<u>\$27.998</u>
Corporate Bonds	<u>56.209</u>	<u>43.266</u>
Total	<u>\$242.845</u>	<u>\$71.264</u>

As can be seen from this table, significant additions were made to the bond portion of the portfolio in Government of Canada and Provincial Government bonds. The municipal bond segment doubled in 1979 and purchases of corporate bonds were limited.

The *equities, or common stock* portion of the portfolio increased 150% in 1979 from \$56,000,000 to \$142,000,000 at book cost. However, as a percentage of the total portfolio of marketable securities, equities have increased from 17.2% in 1978 to 18.7% in 1979.

At the end of 1979, 31% of the equity investment was invested in mutual funds, 4% was managed on behalf of OMERS and 65% was invested in individual shares of Canadian and United States corporations by the staff of OMERS.

(\$ Millions)	Cost	
	1979	1978
Canadian Investments:		
Mutual Funds	\$ 10.115	\$ 7.867
Individual Stocks	<u>65.867</u>	<u>22.809</u>
	<u>\$ 75.982</u>	<u>\$30.676</u>
Foreign Investments:		
Mutual Funds:		
United States	\$ 30.066	\$12.726
Pacific	3.640	4.198
Managed Funds:		
Europe/United Kingdom	4.731	.674
Individual Stocks:		
United States	<u>27.644</u>	<u>8.106</u>
	<u>\$ 66.081</u>	<u>\$25.704</u>
Total	<u>\$142.063</u>	<u>\$56.380</u>

Non-Canadian equity investments represented 46% of this portion of the portfolio and about 9% of the total portfolio of marketable securities.

During 1979, the staff of OMERS invested almost \$63,000,000 in the Canadian and U.S. stock markets while mutual and managed funds had some \$23,000,000 directed to this form of investment.

The *real estate* component of the portfolio increased \$7,000,000 during 1979 and at year end this type of investment amounted to \$19,486,000. These are revenue producing assets with the Fund receiving the net profit from operation and, in addition, there is the added advantage of capital appreciation over time. OMERS has joined other pension funds for the purchase of this type of asset through jointly owned companies.

OMERS utilizes *short term* investments primarily to hold funds pending the purchase of other assets. Interest on the non-marketable Provincial debentures is received on June 30th and December 31st each year and a major portion of the short term investments at year end is the result of investing the December 31st Provincial interest payment.

While the Fund contains the traditional investments in stocks and bonds, the Board has attempted to be innovative in seeking a variety of assets which provide competitive rates of return and safety of the funds invested. The Board has utilized foreign investments to ensure that growth of these markets will be reflected in the asset growth of the Fund. At year end the Board had authorized the ownership, through a wholly-owned subsidiary company, of oil and gas producing properties and is investigating means of investing in venture and development capital opportunities in smaller Canadian companies. In consort with several other pension funds, OMERS owns a term lending company which makes loans to small companies.

Rising interest rates in the latter part of 1979 reduced the market value of the fixed income (bonds and mortgages) portion of the portfolio and at the same time the market value of common stocks had increased. The market value of bonds and mortgages at year end was \$468,000,000, equities \$168,000,000 and real estate \$24,000,000.

A detailed summary of the portfolio of marketable securities will be found on Schedule 5 of this report.

Complete details of the portfolio are available to any member or employer on request to the Board.

## ACTUARIAL VALUATION

A pension plan, by law, is required to be valued by an actuary every three years and this actuarial valuation is to be filed with The Pension Commission of Ontario. The actuarial valuation of the Fund as at January 1, 1978 was filed with and accepted by the Commission. The next required filing will be for the valuation dated January 1, 1981.

As noted earlier in this report, there was considerable delay in the receipt and processing of member data for 1978 with the result that the valuation results as at January 1, 1979 are not available at this time.

The following table presents the results of the last actuarial valuation of the Fund as at January 1, 1978:

(\$ Millions)      Valuation Results as at January 1, 1978

### Actuarial Liabilities

#### Present value of:

Pensions under payment	\$ 193.182
Vested deferred pensions	15.226
Pensions for current contributors and their survivors	912.237
Refunds for present contributors	<u>73.298</u>
	<u>\$1,193.943</u>

### Assets

Fund assets at January 1	\$1,078.780
Present value of remaining annual instalments required to provide for unfunded liability as at January 1, 1978	<u>115.163</u>
	<u>\$1,193.943</u>

The above valuation results have been determined on the minimum funding requirement under The Pension Benefits Act which determines the value of pension earned by contributing members at January 1, 1978 based on their credited service to that date but with their earnings projected to their normal retirement date. In determining these values the main assumptions used are that salaries will in-

crease 5% per year into the future and the investments will yield a 6% rate of return each year. This same interest rate is used to value the pensions under payment and the deferred pension liabilities.

The valuation of January 1, 1978 indicated an unfunded liability (actuarial deficiency) of \$115.163 million and this liability is being funded by annual payments over a fifteen year period with the first payment due in 1978. The above table shows the value of the instalment payments as an asset and this presentation will allow a comparison of the actual change in the overall funding of the plan from year to year in the future.

The Board is of the opinion that the actuarial valuation of the Fund noted above indicates that the current level of member and employer contribution will fund the basic plan in the foreseeable future.

## MANAGED PLANS

The Board manages and administers, separately from OMERS, the pension plans of the following organizations:

Ryerson Polytechnical Institute  
Colleges of Applied Arts and Technology  
Elliot Lake Centre d'Elliot Lake  
Caucus Employees of the Legislature

These plans are operated under separate agreements with the Board and all member records, books of account, financial reporting, bank accounts and other records are kept for each of the plans. The Board receives a management fee each year for this administration so there is no charge against the operation of OMERS.

## THE BOARD AND ITS ADVISORS

Mr. A. P. Clark, a member of the council of the Township of Muskoka Lakes, was appointed to the Board in March, 1979 to replace Mr. E. C. Hill who had resigned in November, 1978.

The membership on the Investment Policy Committee of the Board in 1978 continued to serve during 1979. As well, actuarial, legal and medical advisors appointed by the Board continued to provide their specialized services to the Board during 1979.



During 1979, the authorized staff complement was 75 positions, with 14 in the investment area, 56 in the pension area and 5 in the management and policy development area. In addition, the System is well served by the many employees of the 1,015 employers that participate in OMERS and who undertake the day to day administration of the pension programs.

## CONCLUSION

OMERS has been in operation for seventeen years and looking back to the reasons for establishing the System — to provide adequate pensions to the employees of local governments in Ontario at reasonable and stable cost to the employees and employers — and looking at the position of the System at the end of 1979, it would appear that OMERS has met the original objective.

There have been many changes and improvements to OMERS over the years and with the current exposure of public and private pension plans in Canada to extensive study, in all probability, there will continue to be changes and improvements to this retirement program for municipal employees.

The Board operates OMERS for the benefit of the members with the financial and administrative participation of their employers and attempts to provide complete disclosure of information on all aspects of the System to the employers and members. The individual members of the Board, the majority of whom are contributing members of the System, appreciate the opportunity to serve the members and employers and to meet the challenge of administering one of the largest and most financially sound pension plans in Canada.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Balance Sheet

as at December 31, 1979

	<u>1979</u>	<u>1978</u>
<b>Assets</b>		
Investments (note 2)	\$2,052,022,637	\$1,621,623,189
Contributions receivable	23,007,676	25,066,012
Accounts receivable	302,512	279,405
Accrued income	11,843,710	48,206,347
Cash	<u>65,433</u>	<u>2,017,660</u>
	<u>\$2,087,241,968</u>	<u>\$1,697,192,613</u>
<b>Reserves and Liabilities</b>		
Reserves for:		
basic benefits (note 3)	\$1,718,762,999	\$1,377,027,453
prior service benefits (note 4)	5,039,962	7,987,093
supplementary benefits (note 4)	<u>135,543,898</u>	<u>129,016,756</u>
	\$1,859,346,859	\$1,514,031,302
Deposits from administered pension funds (note 5)	226,768,259	182,805,050
Accounts payable and accruals	654,811	335,384
Pension benefits payable	<u>472,039</u>	<u>20,877</u>
	<u>\$2,087,241,968</u>	<u>\$1,697,192,613</u>

Signed on behalf of the Board

 Member

 Member

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Statement of the Reserves

### for the year ended December 31, 1979

	Basic Benefits Reserve	Prior Service Benefits Reserve	Supple- mentary Benefits Reserve	Total	1978
<b>Balance, beginning of the year</b>	\$1,377,027.453	\$7,987,093	\$129,016,756	\$1,514,031,302	\$1,205,495,239
<b>Increases in reserves</b>					
Contributions of:					
• Members	111,793,285	—	2,061,220	113,854,505	104,428,771
• Employers	114,646,798	31,812	25,774,309	140,452,919	127,666,482
	226,440,083	31,812	27,835,529	254,307,424	232,095,253
	156,582,529	94,809	11,613,352	168,290,690	134,836,824
<b>Income earned from investments</b>					
Administrative expenditures recovered from:					
• Supplementary benefits reserve	278,355			278,355	255,927
• Administered pension funds	294,839			294,839	270,370
	573,194			573,194	526,297
<b>Transfer to basic benefits reserve from:</b>					
• Prior service benefits reserve	3,073,752			3,073,752	457,436
• Supplementary benefits reserve	32,643,384			32,643,384	26,029,423
	35,717,136			35,717,136	26,486,859
	419,312,942	126,621	39,448,881	458,888,444	393,945,233
<b>Decreases in reserves</b>					
Members' pensions	28,302,694			28,302,694	21,648,720
Members' contributions plus interest refunded	27,142,219			27,142,219	19,515,170
Transfers to other pension plans	653,207			653,207	566,267
Income credited to administered pension funds (note 5)	19,201,710			19,201,710	15,006,742
Transfers to basic benefits reserve for:					
• Pension present value		404,402	20,348,325	20,753,727	14,005,520
• Members' contributions plus interest refunded		4,223	11,534,233	11,538,456	9,610,298
• Transfer to other pension plans		349	6,883	7,232	91,471
• Conversion NRA 65 to NRA 60			243,870	243,870	2,412,951
• Purchase waiting period			2,741	2,741	2,328
• Purchase additional pension			506,332	506,332	364,291
• Purchase transferred-in service		2,864,778		2,864,778	
		3,073,752	32,643,384		
			278,355	278,355	255,927
<b>Administrative expenditures</b>					
Administrative expenditures					
• Pensions	1,809,478			1,809,478	1,564,047
• Investments	468,088			468,088	365,438
	77,577,396	3,073,752	32,921,739	113,572,887	85,409,170
<b>Balance, end of the year</b>	\$1,718,762,999	\$5,039,962	\$135,543,898	\$1,859,346,859	\$1,514,031,302

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Schedule of Administrative Expenditures

### for the year ended December 31, 1979

	<u>1979</u>	<u>1978</u>
<b>Personal services including employee benefits</b>		
Salaries of regular staff	\$1,148,709	\$ 974,079
Salaries of casual staff	55,053	51,743
Pensions	84,794	71,419
Unemployment insurance	12,632	12,315
Workmen's compensation	1,864	1,559
Hospital and medical insurance	47,446	29,246
Term-life insurance	7,282	6,152
Long-term disability insurance	9,523	8,172
	<u>\$1,367,303</u>	<u>\$1,154,685</u>
<b>Transportation and communication</b>		
Travel expenses, including overtime meal allowances	\$ 37,411	\$ 27,432
Telephone	51,866	44,530
Postage and express	45,889	42,800
	<u>\$ 135,166</u>	<u>\$ 114,762</u>
<b>Purchases of service</b>		
Actuarial services	\$ 39,510	\$ 49,990
Audit services	23,650	20,400
Medical services	15,615	9,120
Legal services	44,844	34,510
Other professional services	119,869	81,415
Recruitment and training of employees	16,603	4,003
Rental of offices	146,678	137,666
Rental of equipment, including data processing	144,404	80,709
Maintenance and repair of equipment	5,533	3,549
Electricity	5,896	7,034
Insurance	2,289	1,166
Board's services	27,670	28,116
	<u>\$ 592,561</u>	<u>\$ 457,678</u>
<b>Materials and supplies</b>		
Furniture and equipment purchased	\$ 34,196	\$ 33,656
Supplies and stationery	101,769	95,389
Publications for members and employers	45,710	72,007
Alterations to offices	861	1,308
	<u>\$ 182,536</u>	<u>\$ 202,360</u>
Total expenditures	<u>\$2,277,566</u>	<u>\$1,929,485</u>
<b>Distribution</b>		
— Pensions	\$1,809,478	\$1,564,047
— Investments	468,088	365,438
	<u>\$2,277,566</u>	<u>\$1,929,485</u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements for the year ended December 31, 1979

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Investments*

Investments are recorded in the accounts at cost. Gains or losses on their disposal are credited or charged to income. Income from investments is recorded on the accrual basis.

#### *Contributions*

Member and employer contributions received subsequent to the year-end, but which are applicable to the current year, are recorded as receivables.

#### *Benefits*

Payments for benefits are recorded in the year in which such payments are made.

### 2. INVESTMENTS

The following is a description of the investments:

- (a) Province of Ontario debentures issued under section 7(3) of The Ontario Municipal Employees Retirement System Act.

<u>Date of Maturity</u>	<u>Weighted Average Interest Rate</u>	<u>Cost</u>
December 31, 1993	8.06%	\$ 129,500,000
December 31, 1994	9.50%	148,825,000
December 31, 1995	9.70%	182,250,000
December 31, 1996	6.00%	20,100,000
December 31, 1997	6.30%	24,900,000
December 31, 1998	7.21%	33,100,000
December 31, 1999	8.19%	46,700,000
December 31, 2000	9.10%	57,600,000
December 31, 2001	7.85%	75,000,000
December 31, 2002	9.50%	265,800,000
December 31, 2003	9.45%	187,950,000
December 31, 2006	9.77%	121,300,000
		<u>\$1,293,025,000</u>

The weighted average interest rate on the total investment in Ontario debentures is 9.07%.

Market value for the Ontario debentures has not been determined as these debentures have no quoted market value.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements for the year ended December 31, 1979

### 2. INVESTMENTS (continued)

(b) Investments commencing September 30, 1975 under section 7(3b) of The Ontario Municipal Employees Retirement System Act which are subject to the limitations of The Pension Benefits Act.

	1979		1978	
	Market Value	Cost	Market Value	Cost
Bonds and Debentures	\$217,028,333	\$242,845,464	\$ 69,361,628	\$ 71,263,725
Mortgages	251,178,524	283,382,444	172,772,291	175,242,720
Equities	168,292,263	142,062,810	63,187,097	56,379,621
Real Estate	23,933,138	19,486,272	16,294,921	12,490,520
Short Term Deposits	71,220,647	71,220,647	13,221,603	13,221,603
	<u>\$731,652,905</u>	<u>\$758,997,637</u>	<u>\$334,837,540</u>	<u>\$328,598,189</u>

Market value is quoted value for bonds, debentures and equities.

Market value for mortgages is computer based on market yields.

Market value for real estate is appraised value as provided by our property manager.

### 3. BASIC BENEFITS RESERVE

The basic benefits reserve is maintained for the payment of pensions to retired members or their beneficiaries and the future payment of pensions and benefits to contributing members and to terminated members who have elected a deferred pension.

The latest actuarial valuation of the fund dated January 1, 1978 determined the total actuarial liabilities of the Fund for basic benefits to be \$1,193,943,000 using the minimum funding basis provided under The Pension Benefits Act. The basic benefits reserve to meet these liabilities as at December 31, 1977 was \$1,078,780,000 resulting in an actuarial deficiency of \$115,163,000.

The minimum annual amount required to amortize the deficiency over 15 years is calculated to be \$11,976,000.

The results of the valuation projected to December 31, 1979 indicate that the existing levels of member and employer contributions are sufficient to meet the cost of benefits to be earned in each calendar year and to meet the special annual payments referred to above.

### 4. PRIOR SERVICE AND SUPPLEMENTARY BENEFITS RESERVES

Under the terms of The Ontario Municipal Employees Retirement System Act various participating employers have entered into agreements with the Board for the provision of prior service and/or sup-

# **ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND**

## **Notes to the Financial Statements for the year ended December 31, 1979**

plementary benefits. The prior service and supplementary reserves represent the net assets available for payment of benefits under the agreements. Each employer is responsible, individually, for the funding of such benefits.

### **5. ADMINISTERED PENSION FUNDS**

The administered pension funds (which form part of the Fund and which are administered on behalf of the Ontario Council of Regents for Colleges of Applied Arts and Technology, the Ryerson Polytechnical Institute, the Elliot Lake Centre d'Elliot Lake and the members of the Legislative Assembly as represented by the Board of Internal Economy [the Caucus Employees Retirement Plan]) are credited with amounts which are equal to the income received by the Fund from the investment of the monies deposited in the Fund by the administered pension funds.

### **6. COMMITMENTS**

Mortgage commitments outstanding at December 31, 1979 amounted to approximately \$139,000,000.

The administration of the Fund is conducted on leased premises and the Board has entered into a lease agreement which involves a minimum annual base rental of \$120,638 to 1981 and \$96,330 to 1986.

# COOPERS & LYBRAND

CHARTERED ACCOUNTANTS

TELEPHONE (416) 869-1130

CABLES COLYBRAND

TELEX 06-23590

145 KING STREET WEST

TORONTO, ONTARIO, CANADA M5H 1V8

OFFICES THROUGHOUT CANADA  
AND IN PRINCIPAL AREAS  
OF THE WORLD

April 18, 1980

## AUDITORS' REPORT

TO THE

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

We have examined the balance sheet of the Ontario Municipal Employees Retirement Fund as at December 31, 1979 and the statement of the reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1979 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



CHARTERED ACCOUNTANTS



BOSTON  
CHICAGO  
CLEVELAND  
DALLAS  
DETROIT  
FORT WORTH  
HONOLULU  
HOUSTON  
LOS ANGELES  
MIAMI

THE *Wyatt* COMPANY

ACTUARIES-EMPLOYEE BENEFIT CONSULTANTS-RISK MANAGEMENT CONSULTANTS  
INTERNATIONAL BENEFITS-EMPLOYEE COMMUNICATIONS  
141 ADELAIDE STREET WEST  
TORONTO, ONTARIO M5H 3L5

(416) 862-0393

MINNEAPOLIS  
ST. PAUL  
NEW YORK  
ORLANDO  
PHILADELPHIA  
SAN FRANCISCO  
WASHINGTON  
—  
MONTREAL  
OTTAWA  
TORONTO  
VANCOUVER

Actuarial Certificate at December 31, 1979

Ontario Municipal Employees Retirement Fund

The most recent actuarial valuation of the above Plan was conducted at January 1, 1978 using the unit credit cost method.

The results of the valuation reflect the major amendments made to the Plan as at January 1, 1978 involving the change from a retirement benefit based on career-average earnings to a retirement benefit based on final-average earnings. The results of the valuation indicated an actuarial deficiency of \$115.163 million at January 1, 1978 which is to be funded by special annual payments over a period not exceeding 15 years.

The results of the valuation at January 1, 1978 projected to December 31, 1979 indicate that the existing levels of employee and employer contributions are sufficient to meet the cost of benefits to be earned each calendar year and to meet the special annual payments referred to above until the next actuarial valuation is made.

We are of the opinion, therefore, that the assets of the Fund at December 31, 1979 combined with the value of the remaining special payments are sufficient to meet all the liabilities of the Plan in respect of services rendered by members up to that date.

Respectfully submitted

THE WYATT COMPANY

*R. Alvin Field*

March 4, 1980

R. Alvin Field, F.S.A.  
Fellow, Canadian Institute of Actuaries

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## 5 Year Review of Financial Data — 1975 to 1979

(\$ Thousands)	1979	1978	1977	1976	1975
*Investments at Cost					
Provincial Debentures	\$1,293,025	\$1,293,025	\$1,171,725	\$ 983,775	\$809,275
Marketable Securities	758,997	328,598	158,107	76,684	15,744
	<u>\$2,052,022</u>	<u>\$1,621,623</u>	<u>\$1,329,832</u>	<u>\$1,060,459</u>	<u>\$825,019</u>
*Reserve for Basic Benefits	\$1,718,763	\$1,377,027	\$1,078,781	\$869,076	\$690,646
Funds Held for					
Prior Service					
Agreement Reserve	5,040	7,987	8,002	8,247	7,654
Supplementary Benefit					
Agreement Reserve	135,544	129,017	118,712	87,713	56,841
Managed Plans	226,768	182,805	145,851	112,887	83,688
	<u>\$2,086,115</u>	<u>\$1,696,836</u>	<u>\$1,351,346</u>	<u>\$1,077,923</u>	<u>\$838,829</u>
Investment Income Earned					
Basic Plan	\$137,381	\$108,423	\$ 84,268	\$ 65,560	\$ 49,508
Prior Service Agreements	95	410	427	404	373
Supplementary Benefit Agreements	11,613	10,997	8,947	5,923	3,664
Managed Plans	19,202	15,007	11,907	8,649	6,121
	<u>\$168,291</u>	<u>\$134,837</u>	<u>\$105,549</u>	<u>\$ 80,536</u>	<u>\$ 59,666</u>
Contributions Received for					
Basic Plan	\$226,440	\$206,470	\$141,075	\$127,315	\$106,497
Prior Service Agreements	32	32	348	827	404
Supplementary Benefit Agreements	27,836	25,593	32,436	33,017	22,286
	<u>\$254,308</u>	<u>\$232,095</u>	<u>\$173,859</u>	<u>\$161,159</u>	<u>\$129,187</u>
Payments to Members					
Pensions Paid	\$ 28,303	\$ 21,649	\$ 16,660	\$ 12,867	\$ 8,983
Contributions and					
Interest Refunded	27,142	19,515	8,433	8,505	6,710
Transfers to Other Plans	653	566	647	586	377
	<u>\$ 56,098</u>	<u>\$ 41,730</u>	<u>\$ 25,740</u>	<u>\$ 21,958</u>	<u>\$ 16,070</u>
Administrative Expenditures					
and Recoveries					
Pension Program					
Gross	\$ 1,809	\$ 1,564	\$ 1,300	\$ 1,316	\$ 1,102
Fee Recoveries	573	526	564	567	410
Net	<u>\$ 1,236</u>	<u>\$ 1,038</u>	<u>\$ 736</u>	<u>\$ 749</u>	<u>\$ 692</u>
Investment Program	468	364	209	111	81
	<u>\$ 1,704</u>	<u>\$ 1,402</u>	<u>\$ 945</u>	<u>\$ 860</u>	<u>\$ 773</u>
Average Yield on Investments					
Provincial Debentures	9.07%	9.07%	8.93%	8.91%	8.61%
Marketable Securities	10.88%	10.47%	10.50%	9.68%	8.07%
Total Portfolio	9.55%	9.25%	9.10%	8.92%	8.48%
Pension Program Net Expenditure					
as a % of Basic Plan Contributions	0.55%	0.50%	0.52%	0.59%	0.65%

\*the amount shown for each year as at December 31 is cumulative

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

5 Year Review of Selected Data — 1975 to 1979

	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>
*Employers					
Municipalities	473	465	459	450	434
School Boards	123	123	122	123	123
Other Local Boards	419	405	399	403	394
	<u>1,015</u>	<u>993</u>	<u>980</u>	<u>976</u>	<u>951</u>
*Members Contributing, Employed by					
Municipalities	60,757	59,691	54,031	52,538	49,133
School Boards	29,619	29,428	27,529	27,026	26,345
Other Local Boards	27,110	26,496	24,470	22,868	21,797
	<u>117,486</u>	<u>115,615</u>	<u>106,030</u>	<u>102,432</u>	<u>97,275</u>
*Members Contributing					
Female	41,224	40,119	35,420	33,942	31,609
Male	76,262	75,496	70,610	68,490	65,666
	<u>117,486</u>	<u>115,615</u>	<u>106,030</u>	<u>102,432</u>	<u>97,275</u>
*Normal Retirement Age 65	101,872	100,377	91,771	88,953	84,880
*Normal Retirement Age 60	15,614	15,238	14,259	13,479	12,395
	<u>117,486</u>	<u>115,615</u>	<u>106,030</u>	<u>102,432</u>	<u>97,275</u>
*Terminated Members Who Have Elected a Deferred Pension	<u>3,320</u>	<u>3,464</u>	<u>3,859</u>	<u>3,398</u>	<u>3,194</u>
*Number of Pensioners by Type of Pension					
Normal Retirement	10,550	9,415	8,456	7,552	6,639
Early Retirement	1,986	1,560	1,260	999	782
Disability Retirement	1,078	870	719	623	510
Spouses and Children	3,631	3,152	2,725	2,297	1,890
	<u>17,245</u>	<u>14,997</u>	<u>13,160</u>	<u>11,471</u>	<u>9,821</u>
*Total Membership Comprising Contributing Members, Deferred Pensions, and Pensioners	<u>138,051</u>	<u>134,076</u>	<u>123,049</u>	<u>117,301</u>	<u>110,290</u>
Number of Members Enrolled Each Year	13,168	19,023	12,480	14,885	17,674
Number of Members Terminated Each Year	<u>11,297</u>	<u>9,438</u>	<u>8,882</u>	<u>9,728</u>	<u>9,107</u>
Net Increase Each Year	<u>1,871</u>	<u>9,585</u>	<u>3,598</u>	<u>5,157</u>	<u>8,567</u>

\*Cumulative totals at year end

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Historical Highlights

**1962** — An Act establishing the Ontario Municipal Employees Retirement System was given Royal Assent on April 18th.

**1963** — The first members of the System were enrolled on January 1st and the first contributions received one month later.

**1965** — Amendments were made for the "locking-in" of contributions as required under The Pension Benefits Act.

After July 1, 1965 all persons engaged by a municipality or local board must participate in OMERS to receive pension benefits.

Provision was made for OMERS to manage and administer other pension plans.

**1966** — The contributions and benefits were integrated with the contributions and benefits of the Canada Pension Plan.

Employees of electric utilities became members of OMERS for the first time.

**1967** — The supplementary benefit program was introduced.

**1968** — The eleven member Board was appointed by the Lieutenant Governor in Council on January 1.

The interest rate on the special Provincial debentures issued to OMERS at each year end was increased from 5% to 6½ %.

The benefit formula was increased 10% from 2% of career earnings to 2.2% of career earnings.

**1969** — A disabled widower was extended the same benefits as a widow on the death of a member.

**1970** — The interest rate on the special Provincial debentures issued to the Board at each year end was changed from 6½ % to the average borrowing costs of the Province during a year.

All basic pension benefits earned or payable on December 31, 1970 were increased by 10%.

**1971** — All basic pension benefits earned or payable at December 31, 1971 were increased by 5%.

In addition to the 50% widows' and disabled widowers' pensions payable on the death of a member, a further pension of 10% for each child of the deceased member to a maximum of 25% was introduced.

**1972** — Councillors became eligible for membership in the System.

All basic pension benefits earned or payable on December 31, 1972 were increased by 5%.

**1973** — An employer could improve the pensions being paid to retired employees through the System.

Rates of interest on special Provincial debentures issued to the Board during the years 1963 to 1969 were retroactively adjusted.

All basic pension benefits earned or payable at December 31, 1973 were increased by 5%.

**1974** — A portion of available funds could be invested in marketable securities under the provisions of The Pension Benefits Act commencing in 1975.

**1975** — All basic pension benefits earned by active and deferred members as at December 31, 1975 were increased by 10%.

All pensions being paid to retired members on December 31, 1975 were increased 10%.

A widower of a member became entitled to the same 50% pension as a widow on the death of a member.

**1976** — Optional service, being service with another governmental employer or war service was added to the supplementary benefit program.

**1978** — Pension formula changed from 2.2% career average earnings basis to a 2% final average earnings basis.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Benefits

### Basic Benefits

**Normal retirement** at age 65 — except policemen and firemen who may retire at age 60.

The annual **normal retirement pension** payable to a member is 2% of pensionable earnings multiplied by credited service, reduced when the member becomes entitled to a pension under the Canada Pension Plan. In this formula:

“pensionable earnings” means the annual average of the 60 highest consecutive months of earnings;

“credited service” means continuous service when contributions have been made;

“CPP reduction” means 0.7% of the annual average of the Year’s Maximum Pensionable Earnings under the CPP in the year of retirement and the two preceding years times credited service since January 1, 1966.

A **total disability retirement benefit** for a disability that, in the first two years renders a member incapable of performing the duties of his or her position and thereafter of any substantially gainful employment. The totally disabled member may continue to accrue credited service without contribution until normal retirement age or may elect a disability pension.

A **pension to a widow or widower** of one-half the member’s pension plus 10% for each child under 21 years of age to a maximum of 25% and, where there is no widow or widower, a pension of one-half the member’s pension to the child or children of the member under 21 years of age.

A **deferred pension**, payable at normal retirement age, if a member ceases to be employed before his normal retirement date. The pension benefits earned by a member under the System vest immediately in the member.

An **early retirement pension**, commencing within the 10 year period before normal retirement age, which is the actuarial equivalent of the normal retirement pension.

A **refund** of the contributions of a member plus interest if the member terminates his employment, except if at termination the member has ten years of continuous service with

the employer and is over 45 years of age. In this event contributions made after January 1, 1965 may not be refunded.

**Portability** of the pension if a member transfers employment from one participating employer to another within 6 months or to other governmental pension plans under special reciprocal transfer agreements.

**Supplementary Benefits** (provided by an agreement between a participating employer and OMERS)

### Type I — Final Averaging Earnings, Past Service Pension

The Type I provides a benefit based on 2% of final average earnings and service before enrolment in OMERS. Any pension earned under a prior service agreement or approved pension plan during this period of past service is deducted.

### Type II — Current Average Earnings, Past Service Pension

The Type II provides a benefit based on 2% of current average annual earnings and service before enrolment in OMERS. Any pension earned under a prior service agreement or approved pension plan during this period of past service is deducted.

### Type III — Unreduced Early Retirement Pension

Normally, if a member retires early (within 10 years of normal retirement date) the pension benefit payable under a Type I or II supplementary benefit and the Basic Plan is actuarially reduced. The Type III benefit provides for payment of the amount of this reduction if a member retires within 10 years of normal retirement date under the following conditions:

- (a) completion of 30 or more years of continuous service with the employer, or
- (b) retirement due to permanent partial disability as determined by the employer.

**Optional Service** — The service of a member with another governmental employer or war service may be added to a Type I or Type II benefit and the member must contribute on a formula basis to be entitled to this service. This service becomes additional past service of the member.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Summary of Marketable Securities

### as at December 31, 1979

(\$ Thousands)

	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
<b>Mortgages</b>				
Residential (NHA Insured)				
— Single Family	\$ 29,239	3.9%	10.84%	
— Condominium	5,424	0.7	11.66	
— Rental	228,439	30.1	10.74	
— Nursing Homes	852	0.1	11.37	
Residential (Privately Insured)				
— Condominium	1,469	0.2	10.92	
— Rental	6,372	0.8	10.60	
Commercial (Uninsured)				
— Office Buildings	2,406	0.3	10.75	
— Hotel	6,986	0.9	11.74	
— Store	2,195	0.3	10.37	
<b>Total Mortgages</b>	<b>\$283,382</b>	<b>37.3%</b>	<b>10.79%</b>	<b>\$251,178</b>
<b>Bonds</b>				
Government — Canada	\$ 89,455	11.8%	10.38%	\$ 81,386
— Provincial	76,751	10.1	10.28	67,399
— Municipal	20,430	2.7	10.43	17,986
Corporate	56,209	7.4	10.60	50,257
<b>Total Bonds</b>	<b>\$242,845</b>	<b>32.0%</b>	<b>10.40%</b>	<b>\$217,028</b>
<b>Equities</b>				
Canada — Individual Stocks				
— Metals and Minerals	\$ 10,916	1.4%	5.99%	\$ 16,081
— Oil and Gas	3,431	0.5	2.40	5,742
— Paper and Forest Products	2,831	0.4	7.51	3,105
— Consumer Products	2,814	0.4	6.97	3,885
— Industrial Products	8,740	1.1	4.43	9,145
— Transportation	3,441	0.5	5.59	4,439
— Utilities	11,090	1.5	6.46	11,548
— Communications and Media	2,441	0.3	4.42	2,520
— Financial Services	15,312	2.0	6.77	17,108
— Management Companies	4,851	0.6	4.98	5,751
Canada — Mutual Funds	10,115	1.3	1.38	14,770
<b>Total Canadian Equities</b>	<b>\$ 75,982</b>	<b>10.0%</b>	<b>5.22%</b>	<b>\$ 94,094</b>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Summary of Marketable Securities

### as at December 31, 1979

(\$Thousands)

	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
<b>Equities</b> (continued)				
Non-Canadian (Canadian \$)				
United States				
— Individual Stocks				
— Energy	\$ 7,919	1.0%	5.12%	\$ 9,093
— Photography	2,749	0.4	4.96	2,246
— Industrial Products	7,397	1.0	6.48	6,919
— Computers	2,419	0.3	5.00	2,253
— Conglomerate	2,491	0.3	1.31	2,550
— Tobacco	2,256	0.3	7.62	2,280
— Insurance	2,413	0.3	6.99	2,695
— Mutual Funds	30,066	4.0	2.12	36,975
Pacific — Mutual Funds	3,640	0.5	0.11	3,849
Europe — Managed Fund	4,731	0.6	5.38	5,338
<b>Total — Non-Canadian Equities</b>	<b>\$ 66,081</b>	<b>8.7%</b>	<b>3.63%</b>	<b>\$ 74,198</b>
<b>Total Equities</b>	<b>\$142,063</b>	<b>18.7%</b>	<b>4.48%</b>	<b>\$168,292</b>
<b>Real Estate</b>	<b>\$ 19,486</b>	<b>2.6%</b>	<b>8.55%</b>	<b>\$ 23,933</b>
<b>Short Term</b>	<b>\$ 71,221</b>	<b>9.4%</b>	<b>13.43%</b>	<b>\$ 71,221</b>
<b>Total</b>	<b>\$758,997</b>	<b>100.0%</b>	<b>9.69%</b>	<b>\$731,652</b>

**\* Estimated Market Values**

Mortgages:	Computed on current market yields
Bonds:	Quoted values
Equities:	Quoted values
Real Estate:	Appraised values

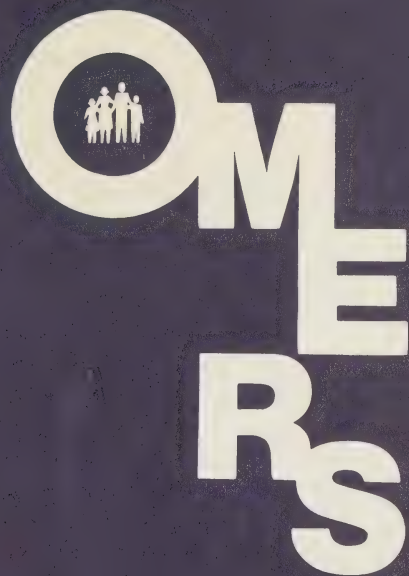








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# 1980 ANNUAL REPORT

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD



**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD**

**1980 ANNUAL REPORT**





**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD**  
2 BLOOR STREET WEST (27TH FLOOR), TORONTO ONTARIO M4W 3E2, (416) 967-0637

April 24, 1981

The Honourable Frank S. Miller  
Treasurer of Ontario and Minister  
of Treasury and Economics  
Frost Building South  
Queen's Park  
Toronto, Ontario

Dear Mr. Miller:

On behalf of the members of the Board I am pleased to present to you the Annual Report of The Ontario Municipal Employees Retirement Board for the year ended December 31, 1980 in accordance with section 3(6) of The Ontario Municipal Employees Retirement System Act.

The Board is responsible for the management and administration of OMERS and these responsibilities continued to expand in scope in 1980. At year-end there were 119,731 employees of 1,027 municipalities and local boards contributing to the System, 19,270 monthly pensions being paid to retired municipal employees or their beneficiaries, 24,368 members of OMERS covered under 258 supplementary benefit agreements providing pension benefits for service before participation in OMERS and for special early retirement benefits, 1,646 members covered under 200 prior service agreements resulting from the wind-up of plans in effect before the establishment of OMERS and 14,359 contributing members and 671 pensioners in five pension plans managed and administered by the Board for other governmental organizations that are separate and distinct from OMERS. Collectively this represents 160,104 members and 19,941 pensioners at the end of 1980.

One of the major responsibilities of the Board is the investment of funds accumulated each year and not required for the payment of benefits or expenses. As at December 31, 1980 the book value of these investments totalled \$2,508,434,000 with \$1,293,025,000 representing investments in special non-marketable debentures of the Province of Ontario made up to the end of 1978 and \$1,215,409,000 representing amounts invested in the traditional capital markets available to pension funds.

During 1980 the Board received your guidance and support on a number of matters which was most appreciated. The Board members appreciated the opportunity and the challenge of managing and administering the retirement program of employees of municipalities and local boards in Ontario.

The accompanying report is respectfully submitted to you.

Yours truly,

A handwritten signature in dark ink, reading 'A. J. Roberts'.

A. J. Roberts  
Chairman of the Board

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# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

as at December 31, 1980



Mr. C. R. Bernardi, Chairman  
Director of Personnel and  
Labour Relations  
City of Sault Ste. Marie



Mr. A. J. Roberts, Vice-Chairman  
Consumer Relations  
Representative  
St. Catharines Hydro  
Electric Commission



Mr. R. F. Bevan, Past Chairman  
Superintendent  
Niagara Regional Police Force



Mr. G. E. Boyce  
Superintendent -  
Business Administration  
Sudbury Board of Education



Mr. A. P. Clark\*  
Councillor  
Township of  
Muskoka Lakes



Mr. S. P. Dobbin  
Employee  
Toronto Board of Education



Mr. E. Hothersall  
Secretary Treasurer  
Ontario Professional  
Fire Fighters  
Association



Mr. G. McIntyre  
Ministry of Treasury and  
Economics



Mr. D. C. Schaefer  
Treasurer  
City of Waterloo



Mr. G. D. Spry  
Ministry of Natural Resources



Mrs. E. Stewart  
Mayor  
City of Gloucester

\*Resigned November 30, 1980

**INVESTMENT POLICY COMMITTEE OF THE BOARD**  
as at December 31, 1980

Mr. R. M. MacIntosh, Chairman  
Canadian Bankers Association

Mr. A. P. Clark  
Member of the Board

Mr. J. C. C. Wansbrough, Vice-Chairman  
National Trust Company Limited

Mr. D. C. Schaefer  
Member of the Board

Mr. H. M. Cunningham  
Cooper, Cunningham, Cockfield Ltd.

Mr. A. W. Reeve  
Executive Director

Mr. N. J. Short  
Guardian Capital Group Limited

Mr. D. A. Beggs  
Director of Investments

**ADVISORS TO THE BOARD**

R. A. Field, F.C.I.A.  
The Wyatt Company  
Actuary

Purdy Crawford, Q.C.  
Osler, Hoskin and Harcourt  
Legal Advisor

R. G. MacKenzie, M.D.  
Medical Advisor

Coopers & Lybrand  
Auditors

**SENIOR STAFF**

Mr. A. W. Reeve  
Executive Director

Mr. G. A. Tyson  
Director of Pension Administration

Mr. D. A. Beggs  
Director of Investments

Mr. D. W. Barron  
Special Assistant to the Executive Director



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## 1980 ANNUAL REPORT

### INTRODUCTION

The pension benefits of members of OMERS are based on the service of a member while a contributor to the System and on the annual average of the sixty consecutive months of highest earnings of the member. This formula is referred to as a "final average earnings" formula because, for most members, their highest earnings will be in their final years of service prior to retirement. This formula provides protection against inflation at retirement since the amount of pension is related to the earnings of a member at retirement.

The "final average earnings" formula and other benefit changes require significant administrative requirements for both the participating employers and for the staff of OMERS. The continued co-operation of over one thousand participating employers has been most appreciated by OMERS.

This report outlines the major activities during 1980 including the investment of funds in marketable securities and the administration of the various pension programs.

### BOARD RESPONSIBILITIES

The Ontario Municipal Employees Retirement Board is responsible for the management and administration of the System. These responsibilities include organization and staffing, the receipt and investment of funds, the calculation and payment of benefits, the participation of employers, the enrolment of members, the maintenance of individual member records, communication with members and employers, financial reporting and reviewing actuarial valuations of the Fund.

The Board also undertakes research and studies in benefit development and other current pension matters and makes recommendations for changes to The OMERS Act and Regulations.

The Board is comprised of eleven members who are appointed by the Lieutenant Governor in Council to three year terms with about one-third of the membership completing their term each year. As of January 1, 1981, the eleven member Board is comprised of eight employees of local government, two elected officials of local government and one Provincial civil servant.

### THE PENSION PROGRAM

The OMERS pension program divides into four main parts:

- (i) the basic OMERS plan to which each of the participating employers and each of the members contribute at uniform rates and receive pension benefits based on the same formula;
- (ii) the supplementary benefit program which establishes pension benefits for the service of a member prior to participation in the basic OMERS plan, special early retirement pensions or optional service entitlements and are provided by individual employers for all or groups of employees;
- (iii) prior service agreements, which absorbed pension plans in existence prior to the establishment of OMERS;
- (iv) a scheme whereby individual employers may increase the pensions being paid to retired former employees or their beneficiaries.

The Board is also authorized to manage and administer other governmental pension plans separate and distinct from OMERS. Under separate agreements, the Board manages the pension plans of Ryerson Polytechnical Institute, the Colleges of Applied Arts and Technology, the Elliot Lake Centre d'Elliot Lake, the Caucus Employees of the Legislature and a special plan providing pension guarantees related to the restructuring of local electric

utilities. These pension plans are referred to as "managed plans" throughout this report.

## MAJOR ACTIVITIES — 1980

There were no changes to The Ontario Municipal Employees Retirement System Act in 1980 but there were a number of amendments to the regulation made under the Act enacted on December 5, 1980.

The composition of the Board membership was changed to increase from seven to eight the number of employees and to reduce from two to one the number of officials of the Province of Ontario.

The regulation was amended to change the date of December 31, 1980, when all members were to purchase periods of broken service and waiting periods prior to 1978, to a date to be designated by the Board. The records of OMERS had to be audited before the necessary information could be forwarded to employers. This program is proceeding but many employers have yet to be sent the necessary forms.

The regulation contains a provision applicable to employers contributing to approved pension plans who wish to join the System after January 1, 1969 and establishes a required payment that must be made on behalf of the group of employees. The bases of calculating this special payment has been changed to correspond to the change from a career average earnings formula to a final average earnings formula.

The regulation was amended to clarify the beneficiary on the death of a member where there is a legal spouse and a common-law spouse. The Act provides for a common-law spouse who meets certain requirements to be deemed the spouse of the member by the Board. The regulation now provides for the spousal pension benefit to be paid to the spouse who last married or was deemed to be married to the member.

The spousal death benefit provides for a pension of one-half the member's pension at the date of death with this spouse pension being increased up to three-quarters of the member's pension if surviving children of the member were under 21 years of age. The regulation was amended to allow the payment of the increased amount of the spousal benefit

to the person who has custody and control of the children.

Section 20 of the regulation provides for employers to increase the pensions being paid to retired former employees. The section was amended to include increases for retired former councillors in receipt of a pension from OMERS.

A significant change was made to various sections of the regulation but all related to the disability retirement benefit where the member elects the waiver of premium benefit. The main change is to introduce a four month elimination period before the accumulation of credited service applies to a member who is totally disabled. During the four month period the member may contribute to the System and if he or she does contribute the employer must match the contribution. The disability benefits in OMERS are for longer term disabilities and the former provision was covering very short absences from work. This was causing additional problems for members, employers and OMERS and the change should result in an improved benefit.

The regulation was also amended to provide a 4% increase to pensions under payment on January 1, 1979 with the increase to be effective on January 1, 1981.

The Board had reviewed and recommended other regulation changes but these were deferred pending the Report of the Royal Commission on the Status of Pensions in Ontario. These, together with further proposed changes will proceed in 1981.

The section of the regulation requiring all cheques to be signed by the executive director and one other employee designated by the Board was repealed. The Board has authority to delegate responsibilities to certain staff members and the signing of cheques is now authorized under this delegation. All cheques had been signed mechanically but with the change in the regulation, cheques of larger amounts are now signed by hand to improve the internal control on this aspect of the System.

During 1980 the Board reviewed the general operation and responsibilities of the Board and gave special attention to the growing responsibilities for the investment of funds in capital market securities. The Communications Committee of the Board met on a number of occasions in 1980 and several of the

Committee's recommendations were implemented in 1980. A greater effort is to be directed to the out of town Board meetings to ensure an adequate turnout and a thorough discussion of OMERS. A new pensioner is informed when the pension claim form is received and is provided with a pensioner handbook describing various matters related to retirement as well as information on the member's pension. The member's annual statement was also revised for 1980 to provide more information to the member although this is not the final form of member's statement that will eventually be issued when the member's records of OMERS are more complete and accurate.

## **COMMUNICATION**

The Board continued the practice of issuing UPDATE three times a year. UPDATE outlines all matters considered by the Board and all recommendations made by the Board concerning the System. It is a synopsis of the Board meetings which is provided in sufficient quantity to each employer so that it can be posted in the various work places of the members and allow each member an opportunity of knowing what the Board is doing.

Since 1977 the Board has held regular monthly meetings outside the Board's offices in Toronto. These meetings are arranged to allow the members and employers to meet personally with the Board members and to emphasize to the plan participants that the Board operates the System for the members and is anxious to discuss any aspect of the System. Meetings have been held in Thunder Bay, Sault Ste. Marie, Ottawa, London, Sudbury, Timmins, Kingston and meetings in Kenora, St. Catharines and Toronto are planned for 1981.

## **PENSION ADMINISTRATION**

### **Finance**

A five year review of financial highlights is found on schedule 1.

Investments at cost increased 22.2% from \$2,052,022,000 to \$2,508,434,000 and these investments include investments held for the basic OMERS plan, prior service agreements, supplementary benefit agreements and the managed plans. In-

vestment income increased from \$168,291,000 in 1979 to \$214,786,000 in 1980, an increase of 27.6%.

Basic plan contributions of members amounted to \$126,372,000 in 1980 representing an increase of 13.0% over 1979 member contributions. Employers contributed a matching amount in 1980 plus an additional amount of \$828,000 from certain employers for improvements to pensions under payment. The employer contributions in 1980 were 10.9% higher than those of 1979.

Payments made to or on behalf of members in 1980 amounted to \$54,352,000 representing payments of pensions, refunds of member contributions and interest and transfers to other pension plans. This is a decrease of 3.1% over member payments in 1979 due to the rebate of supplementary contributions to members in 1979. In fact pension payments in 1980 were 25.4% greater than in 1979.

The reserve for prior service agreements decreased in 1980 from \$5,040,000 to \$4,929,000 as this phase of OMERS winds down. The reserve for supplementary benefit agreements on the other hand increased from \$135,544,000 to \$153,088,000 in 1980, an increase of 12.9%.

Funds on deposit with OMERS representing investments of the managed plans increased 22.1% in 1980 from \$226,768,000 to \$276,819,000.

The reserve held by the Board for the basic plan benefits increased from \$1,718,763,000 to \$2,118,691,000 in 1980, an increase of 23.3%. This reserve is maintained for the payment of current pensions and the future payment of pensions earned by the contributing members of the System. The portion of the report entitled Actuarial Valuation compares the reserve at the beginning of 1980 with the liabilities for benefits being paid or earned as at the same date.

### **Membership**

On December 31, 1980, there were 487 municipalities, 122 school boards, and 418 other local boards participating in OMERS for a total of 1,027 participating employers.

At the end of 1980 there were 119,731 members contributing to the System with 52% employees of



municipalities, 25% employees of school boards and 23% employees of other local boards. 36% of the contributing members of OMERS are female and 14% of the members are policemen or firemen with a normal retirement at age 60.

The change in membership in 1980 is as follows:

Contributing Members, January 1, 1980	117,486	
Members Enrolled	<u>13,914</u>	
		131,400
Terminating members electing:		
— a refund of contributions	7,461	
— a deferred pension	552	
— a transfer within OMERS	367	
— a transfer to another plan	73	
Disabled members electing a waiver	910	
Members retiring on pensions	1,994	
Deaths of members	<u>312</u>	<u>11,669</u>
Contributing members, December 31, 1980		<u>119,731</u>

When OMERS was established one of the objectives was to provide reasonable pension benefits at reasonable cost to the many smaller municipalities and local boards in Ontario by the “pooling” of both large and small groups. This objective has been achieved based on the fact that 554 of the 1,027 participating employers (54%) have less than 25 members of OMERS, with an average of 9 members each. On the other hand the 25 employers with the greatest number of members represent almost 40% of the total membership and average 1,862 members.

At the end of 1980 there were 19,270 members or their beneficiaries receiving monthly pensions from OMERS representing an increase of 16% in the number of monthly pensions paid. 11,558 retired members were receiving normal retirement pensions, 2,451 were receiving early reitirement pensions, 1,232 were receiving disability pensions and 3,899 spousal benefits and 130 children's benefits were under payment.

As at December 31, 1980 there were 3,551 members who had terminated their service and elected a deferred pension. During the year 552 members elected a deferred pension on termination, 3 members were again enrolled in the System and 318 members commenced to receive a pension benefit. OMERS is one of the few pension plans in Canada that allows terminating members to leave their contributions in the System and obtain an entitlement to a pension benefit without requiring

specific years of service for this entitlement. In pension jargon this is referred to as “immediate” vesting and the lack of such vesting in most pension plans has been singled out as one of the weaknesses of such plans. Because the “immediate” vesting provision of OMERS is optional for terminating members (unless they are 45 years of age and have completed 10 years of service) the experience of OMERS in the last five years would indicate that the majority of terminating members are not interested in protecting their pension entitlements.

In the 1976 to 1980 period 38,975 members have terminated their service for reasons other than retirement and death and only 3,554 of these members (9.1%) elected to protect their pension entitlements.

When OMERS was first established many employers transferred funds held in former pension plans to OMERS under provisions of prior service agreements. These agreements are gradually diminishing in importance and at the end of 1980 the Board was administering 200 such agreements covering only 1,646 members with assets of \$4,929,000.

In 1969 the Board entered into the first supplementary benefit agreement which is now utilized by individual employers to provide past service pension benefits and unreduced early retirement benefits. On December 31, 1980 the Board was administering 258 supplementary agreements covering 24,368 members with assets of \$153,088,000.

The following table summarizes member participation in supplementary benefits as at December 31, 1980:

Type 1	4,838
Type 1 and 3	3,189
Type 2	1,877
Type 2 and 3	161
Type 3 only	<u>14,303</u>
	<u>24,368</u>

The table indicates that 8,027 members have Type 1 coverage, which is past service based on the basic plan formula; 2,038 members have Type 2 coverage, which is past service based on recent earnings and 17,653 members have Type 3 coverage providing unreduced early retirement pensions. The members covered with the Type 3 supplementary benefit represent about 15% of the total membership.



## INVESTMENT PROGRAM

### General

Funds for investment each year flow from member and employer contributions, interest and dividends from investments, profit on sale of investments and principal repayment of debt instruments less benefit payments, administrative expenses and losses on the sale of investment. These funds are derived from the operation of the basic plan, prior service agreements, supplementary benefit agreements and the managed plans. All funds are pooled together for investment purposes and the following data with regard to the investment program reflects all of the funds invested by the Board.

During 1980 all funds available for investment were invested in capital market securities as was the case in 1979. Prior to 1979 funds available for investment were invested in special Provincial debentures and capital market securities in the 1975 to 1978 period and in only special Provincial debentures prior to 1975.

When the board ceased to invest in special Provincial debentures on December 31, 1978 a total amount of \$1,293,025,000 had been so invested and these debentures provide a 9.07% average rate of return. It is often mentioned that these funds were loaned to the Province at low interest rates when in fact these debentures now carry an interest rate reflecting current market conditions. Details of these debentures can be found in the notes to the financial statements presented later in this report. The first debentures become due and payable on December 31, 1993 in the amount of \$129,500,000 and further debentures become due and payable each year thereafter.

The current status of the investments of OMERS at amortized cost is as follows:

	As at December 31			
	1980		1979	
(\$ Thousands)				
Equities	\$ 342,336	28%	\$ 142,063	19%
Bonds	349,952	29%	242,845	32%
Mortgages	407,093	34%	283,382	37%
Real Estate and Special	38,172	3%	19,486	3%
Short Term	77,856	6%	71,221	9%
Total Capital Market Securities	\$1,215,409	100%	\$ 758,997	100%
Special Provincial Debentures	1,293,025		1,293,025	
Total Investments	\$2,508,434		\$2,052,022	

The total portfolio grew 22% in 1980 compared to 27% in 1979. However, the capital market securities increased 60% in 1980 and are expected to increase 40% in 1981 and 30% in 1982. This is a significant growth pattern and has increased considerably the responsibilities of the Board in the management of OMERS.

When the Board was first authorized to invest in capital market securities in 1975, a standing committee of the Board was appointed comprising members and staff of the Board and outside investment specialists. The Investment Policy Committee of the Board meets at least monthly and is responsible for recommending overall investment policy to the Board for approval, establishing shorter term strategies, recommending investment criteria under which the staff of the Board undertakes day to day investments and approves certain types of investments.

The primary objective of the Board in investing funds in capital market securities is to maximize the value of the invested funds over time through the addition of investment income and capital appreciation bearing in mind the safety of the capital invested. The invested assets are held to meet the liabilities for benefits for contributing and retired members and the growth of the assets must at least match the increase in liabilities each year or additional contributions will be required.

The present broad investment policy of the Board and the December 31, 1980 position of the capital market securities is as follows based on amortized cost amounts:

Class of Asset	1980 Policy Range	Actual Year-End Position
Equities	0 - 40%	28%
Bonds	20% - 65%	29%
Mortgages	25% - 75%	34%
Real Estate and Special	0 - 10%	3%
Short Term	0 - 25%	6%

The average yield on the capital market securities portion of the portfolio using the formula of net investment income (income less investment expenses) divided by one-half the sum of the book value of the investment at the beginning and end of the year less net investment income during the year

and time — weighting the investments by month during the year is as follows for the last four years:

1980	10.71%	1978	10.47%
1979	10.88%	1977	10.50%

In 1980 the major portion of funds available for investment were directed to equities. In 1980 the increase in the equity asset class represented 44% of the total increase in the capital market securities compared to only 20% in 1979. This approach tended to reduce the rate of return based on book values since the dividend income is at lower rates than interest returns on fixed income investments in bonds and mortgages. However, equities are purchased for a rate of return including capital appreciation and dividend income and the dividend income is also expected to increase over time.

### Investment Activity

Investments in *mortgages* underwent an important transition throughout 1980. The former emphasis on residential product became impractical because of the type of product available — graduated payment mortgages in the rental category — although substantial investments were made in non-profit projects at competitive interest rates under special government programs. High interest rates resulted in the availability of commercial mortgages at a slight reduction in the current rate which was compensated by participation in a percentage of the net cash flow from the commercial operation over the lifetime of the mortgage. This type of investment allows for a rate of return protected to some degree from inflation and a potentially higher long term return than the current interest rate. The following table compares the mortgage portion of the portfolio at the end of 1979 and 1980 at amortized cost:

(\$ Thousands)	1980	1979
Residential		
Single Family	\$ 25,337	\$ 29,239
Condominium	4,874	6,893
Rental	325,261	234,811
Non-profit	13,080	852
Commercial		
Shopping Centres	16,347	—
Office Building	13,086	2,406
Hotels	6,933	6,986
Retail	2,175	2,195
	<u>\$407,093</u>	<u>\$283,382</u>
Percentage of Portfolio	33.5%	37.3%

The mortgage portion of the portfolio increased 44% in 1980 and remained at relatively the same proportion of the portfolio. In addition to the investments of \$407,093,000 in mortgages, commitments of a further \$176,000,000 had been made at the end of 1980 which will be funded in 1981 and 1982.

The market value of the mortgage investments at the end of 1980 is estimated to be \$323,981,000 or 80% of the amortized cost value of \$407,093,000. If these mortgages are held to maturity date they will be repaid at the par value which approximates the amortized cost. Because interest rates on new mortgages at December 31, 1980 are considerably higher than the interest rates on most of the mortgages in the portfolio, the value of the mortgage, were they to be sold is considerably lower than OMERS' cost.

During 1980 there was an attempt to shorten the term to maturity of the *bond* portion of the portfolio. Interest rates continued on a high plane in 1980 and were quite volatile. For this reason it was deemed appropriate to adopt a defensive position and confine bond purchase to the 5 to 10 year term and where possible to have the insurance of optional term features.

The following table shows the bond portion of the portfolio at the end of 1979 and 1980 at amortized cost:

(\$ Thousands)	1980	1979
Government Bonds:		
Canada	\$ 90,617	\$ 89,455
Provincial	146,884	76,751
Municipal	24,432	20,430
Corporate Bonds	<u>88,019</u>	<u>56,209</u>
	<u>\$349,952</u>	<u>\$242,845</u>
Percentage of Portfolio	28.8%	32.0%

The portion of the portfolio invested in bonds decreased from 32.0% to 28.8% during 1980. The largest increase in bond purchases was in the Provincial sector representing investments in Ontario Hydro bonds under an arrangement that terminates in 1981. The other major increase was in the corporate sector where shorter maturities were purchased in 5 year term bank debt instruments.

At year end the bond investments at amortized cost of \$349,952,000 had a market value of \$306,130,000 representing a decrease in value of 12%. This decrease in value results from the currently high interest rates available in bonds which reduces the value of lower coupon bonds. If these bonds are held to maturity their par value will approximate the amortized cost shown on the table.

During 1980 the *equity* portion of the portfolio received the largest portion of new funds. The following table shows this section of the portfolio at cost for the years 1979 and 1980.

(\$ Thousands)	1980	1979
Canadian Investments		
Individual Stocks	\$164,168	\$ 65,867
Mutual Funds	11,133	10,115
U.S. Investments:		
Individual Stocks	72,935	27,644
Mutual Funds	78,449	30,066
European Investments		
Managed Funds	5,270	4,731
Pacific Investments		
Mutual Funds	3,640	3,640
Managed Funds	6,741	—
	<u>\$342,336</u>	<u>\$142,063</u>
Percentage of Portfolio	28.2%	18.7%

The equity portion of the portfolio increased 141% in 1980 and this increased the equities share of the total portfolio to 28.2% from 18.7%. At the end of 1980 the equity portion of the portfolio had a market value of \$445,760,000 which was 30% greater than the cost value of \$342,336,000. 1980 was an above average year for price increases of common stock investments in Canada, the United States and the Pacific Region while in Europe the price increases were not so dramatic.

This portion of the portfolio has performed to expectation in 1980 and has justified the increased portion of the portfolio invested in equities during the year.

The *real estate* and *special situation* portion of the portfolio has also increased dramatically during 1980 with a 100% increase over 1979. The year end comparison at cost is as follows:

(\$Thousands)	1980	1979
Real Estate	\$ 26,032	\$ 19,037
Oil and Gas Properties	4,935	—
Term Lending	7,205	449
	<u>\$ 38,172</u>	<u>\$ 19,486</u>
Percentage of Portfolio	3.1%	2.6%

While this portion of the portfolio doubled in 1980 it remained constant as a share of the total portfolio.

The investment in oil and gas properties was made early in 1980 and represents a purchase of oil and gas producing properties made in consort with other pension funds. The actual investment was made through a wholly-owned subsidiary of the Board known as 92024 Canada Ltd. Audited financial statements of this company are available on request.

The term lending investments are made through Penfund Capital Limited and other pension funds share in this venture. Loans are made to smaller businesses at very competitive rates of interest.

The real estate program is conducted together with other pension funds through a variety of companies established by the funds to search out new product and to manage the assets. The real estate assets combine an ongoing rate of return, potential capital appreciation and an excellent geographic distribution across Canada.

The market value of this portion of the portfolio at December 31, 1980 is estimated to be \$43,978,000, an increase of 15% over the cost of \$38,172,000.

*Short term* investments are mainly utilized pending the purchase of other assets although under current high interest rates approximately 2% of the portfolio is maintained in this type of investment. At year end the short term investments represented 9% of the total portfolio but this was due to the receipt on December 31, 1980 of a semi-annual interest payment from the Province of \$58,000,000 on the special Provincial debentures.

## ADMINISTRATIVE EXPENSES

The administration of OMERS includes the basic plan, prior service agreements, supplementary benefit agreements, the managed plans and the investment program.

The direct costs associated with the investment program have increased significantly in each of the last four years paralleling the growth of the assets under management. Certain costs, such as commissions paid on the purchase and sale of common stocks and bonds are added to the purchase price of the asset or deducted from the sale price of the security. Servicing fees for mortgage investments and fees for funds managed on behalf of the Board are deducted from the income derived from these investments. Since the bulk of the investments are made by the staff of the Board, administrative expenses for the investment program comprise staff compensation, office accommodation and equipment, computer facilities, custodian and banking costs, audit and legal services, communication and normal office costs.

The Board established an expense guideline for the investment program of 1/10 of 1% (0.1%) of the year end portfolio of investments at cost. A four year summary of investment administrative expenses within the guideline is as follows:

(\$ Thousands)	1980	1979	1978	1977
Expenses	\$ 723	\$ 468	\$ 365	\$ 209
Year End Portfolio at Cost	1,215,409	758,997	328,598	158,107
Expenses as a Percentage of the Portfolio	0.06%	0.06%	0.11%	0.13%

The above table shows that in 1979 and 1980 the investment program administrative expenses were only 60% of the guideline amount. In 1978 and 1977 the expenses exceeded the guideline indicating that there are efficiencies derived from administering a larger portfolio. The portfolio at cost at the end of 1980 is almost 8 times as large as it was at the end of 1977 whereas expenses were only 3 times as great.

This aspect of the operation of OMERS has rapidly grown into a major responsibility for the Board and the Board weighs very carefully the cost/benefit relationship to investment expenses. Because of the long term financial rewards to superior portfolio management the Board wants to ensure that the needed management tools and expertise are available within reasonable cost limits.

The remainder of the administrative expenses are related to the pension program. The work load

associated with the basic plan, supplementary benefits and managed plans is combined into the various administrative functions. The Board charges the supplementary benefit agreements and the managed plans an administration fee to ensure that the basic plan does not absorb any costs related to these other programs and also ensures that the administrative fee is competitive for the work performed.

The following table shows the pension program administrative expenses, the administrative fee recoveries and the cost per member for the last four years:

(\$Thousands)	1980	1979	1978	1977
Expenses	\$ 2,133	\$ 1,809	\$ 1,564	\$ 1,330
Fee Recoveries	640	573	526	564
Net Expenses	<u>\$ 1,493</u>	<u>\$ 1,236</u>	<u>\$ 1,038</u>	<u>\$ 766</u>

Members (Active, Deferred, Pensioners)	142,552	138,051	134,076	123,049
Cost per Member	\$10.47	\$8.95	\$7.74	\$6.23
Percentage Increase over Prior Year	17%	16%	24%	(3%)

The Board increased spending on member publications in 1980 and also increased the office space as well as entering into a further five year lease. These items represented \$95,000 additional expense in 1980 over 1979 and without these expenses the percentage increase in the cost per member would have been 9.6%.

Since the commencement of OMERS in 1963, the Board has used as an expense guideline the assumption for administrative expenses adopted by the actuary for actuarial valuations. Except in the very early years of OMERS the pension program expenses have been well within this guideline which is 1% of basic plan member and employer contributions.

The following table compares the pension program net administrative expenses to the guideline adopted by the Board for the last ten years:

(\$Thousands)	Net Expenses	Expense Guideline	Expenses as a Percentage of Guideline
1980	\$ 1,493	\$ 2,527	59%
1979	1,236	2,236	55
1978	1,038	2,051	51
1977	766	1,406	55
1976	749	1,270	59
1975	692	1,065	65
1974	579	855	68
1973	371	726	51
1972	372	628	59
1971	280	533	53
	<u>\$ 7,576</u>	<u>\$13,297</u>	<u>57%</u>

In the 10 year period ending in 1980 the actual pension program net expenses have been only 57% of the guideline of 1% of member and employer contributions and have contributed over \$5 million to the actuarial position of the Fund without considering interest earned on these funds. The actual expenses have ranged from 51% to a high of 68%. In actual practice the Board aims for pension program expenses to be about 60% of the guideline amount, similar to the investment program expenses when related to that guideline.

## ACTUARIAL VALUATION

The 1979 Annual Report of the Board did not include a current valuation of the Fund because of delays in receiving the necessary information from the employers. At this time the Board is in a position to provide the results of the actuarial valuation of the fund as at January 1, 1979 and 1980:

(\$ Thousands)	Valuation Results as at January 1,	
	1980	1979
Actuarial Liabilities		
Present Value of:		
Pensions under Payment	\$ 315,420	\$ 245,493
Vested Deferred Pensions	15,696	15,826
Benefits for Present Contributors and their Survivors	<u>1,402,758</u>	<u>1,187,017</u>
	<u>\$1,733,874</u>	<u>\$1,448,336</u>
Assets		
Fund Assets at January 1	<u>\$1,718,763</u>	<u>\$1,377,027</u>
Actuarial Deficiency	<u>\$ 15,111</u>	<u>\$ 71,309</u>

The above results have been determined using the unit credit cost method which is the minimum funding requirement under The Pension Benefits Act. The liabilities have been determined by calculating the present value of pensions under payment and vested deferred pensions and the present value of the pensions of present contributors based on credited service to the date of the valuation and earnings projected to their normal retirement date. In determining these present values the two main assumptions used are that contributory earnings will increase 5% per year into the future and investments will yield a 6% rate of return each year.

Based on the advice of the actuary the Board is of the opinion that the current level of member and employer contributions will fund the basic plan benefits in the foreseeable future.

## MANAGED PLANS

The Board manages and administers, separately from OMERS, the pension plans of the following organizations:

Ryerson Polytechnical Institute  
Colleges of Applied Arts and Technology  
Elliot Lake Centre d'Elliot Lake  
Caucus Employees of the Legislature  
Guarantee Fund for certain utility employees.

These plans are operated under separate agreements with the Board and all member records, books of account, financial reporting, bank accounts and other records are kept for each of the plans. The Board receives a management fee each year for this administration so there is no charge against the operation of OMERS.

## THE BOARD AND ITS ADVISORS

Mr. A. P. Clark, a member of the council of the Township of Muskoka Lakes, resigned from the Board on November 30, 1980 when he failed to be re-elected to municipal office. Mr. Douglas Spry and Mr. Ed Hothersall ceased to be members of the Board on December 31, 1980 when their terms of office ended. These three Board members made a substantial contribution to the management and administration of the System during their terms of of-



fice, particularly Messrs. Spry and Hothersall who were on the Board for a number of years during which the System had significant growth, change and improvement. At this time the Board would like to publicly thank these former members for their dedicated service to the retirement program of municipal employees.

Mr. Clark replaced Mr. Spry on the Investment Policy Committee of the Board for 1978 and the other members of this Committee continued in office during 1980.

The actuaries, legal and medical advisors to the Board, noted earlier in this Report, continued to provide their specialized service in 1980. Coopers & Lybrand continued as the auditors of the Fund for 1980.

The authorized complement of the Board in 1980 totalled 86 positions with 63 in the pension area, 18 in the investment area and 5 in the management and policy development area. In addition the System is well served by the many employees of the 1,027 employers participating in OMERS who undertake day to day administration related to the contributing members.

## CONCLUSION

1980 marks the conclusion of 18 years of operation for OMERS. The System was established to provide adequate pensions to the employees of local governments in Ontario at stable and reasonable rates of contribution. OMERS has grown into one of

the largest pension plans in Canada and has been soundly financed so that the funds are available to pay for the promised pension benefits.

The Board members meet monthly to ensure the proper management and administration of the System and to study and review the benefits for possible change and improvement. There have only been a few years in the 18 year history of OMERS that significant improvements have not been made attesting to the continued and ongoing interest of the Board in the affairs of the System.

The OMERS Board membership is rather unique for public sector pension plans in that in 1981 eight of the eleven members are employees of municipalities and local boards. The members of the Board operate the System for the benefit of the members and the participating employers and appreciate the opportunity and challenge of managing OMERS.

During the last few years the subject of pensions has received more attention and study than almost any other issue in Canada. The Board has been monitoring the recommendations in the various major studies and at year end was awaiting the Report of the Royal Commission on the Status of Pensions in Ontario which was subsequently made public early in 1981. The Board expects that in the next few years both the Federal and Provincial Governments will propose solutions to various problems related to pensions and the Board will attempt to respond to these solutions and ensure that they are in the best interests of the members and employers participating in OMERS.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Balance Sheet as at December 31, 1980

	<u>1980</u>	<u>1979</u>
<b>Assets</b>		
Investments (note 2)	\$2,508,434,126	\$2,052,022,637
Contributions receivable	26,911,722	23,007,676
Accounts receivable	365,585	302,512
Accrued income	18,019,599	11,843,710
Cash	<u>39,496</u>	<u>65,433</u>
	<u>\$2,553,770,528</u>	<u>\$2,087,241,968</u>
<b>Reserves and Liabilities</b>		
Reserves for:		
basic benefits (note 3)	\$2,118,690,655	\$1,718,762,999
prior service benefits (note 4)	4,928,629	5,039,962
supplementary benefits (note 4)	<u>153,088,496</u>	<u>135,543,898</u>
	\$2,276,707,780	\$1,859,346,859
Deposits from administered pension funds (note 5)	276,819,251	226,768,259
Accounts payable and accruals	215,083	654,811
Pension benefits payable	<u>28,414</u>	<u>472,039</u>
	<u>\$2,553,770,528</u>	<u>\$2,087,241,968</u>

Signed on behalf of the Board

 Member

 Member

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Statement of the Reserves

for the year ended December 31, 1980

	Basic Benefits Reserve	Prior Service Benefits Reserve	Supple- mentary Benefits Reserve	Total	1979
<b>Balance, beginning of the year</b>	\$1,718,762,999	\$5,039,962	\$135,543,898	\$1,859,346,859	\$1,514,031,302
<b>Increases in reserves</b>					
Contributions of:					
• Members	126,371,967		2,685,883	129,057,850	113,854,505
• Employers	127,199,533	31,811	27,082,066	154,313,410	140,452,919
	253,571,500	31,811	29,767,949	283,371,260	254,307,424
Income earned from investments	201,837,848	245,658	12,702,622	214,786,128	168,290,690
Administrative expenditures recovered from:					
• Supplementary benefits reserve	298,364			298,364	278,355
• Administered pension funds (note 5)	341,841			341,841	294,839
	640,205			640,205	573,194
Transfer to basic benefits reserve from:					
• Prior service benefits reserve	385,668			385,668	3,073,752
• Supplementary benefits reserve	24,630,743			24,630,743	32,643,384
	25,016,411			25,016,411	35,717,136
Transfer to supplementary benefits reserve from:					
• Prior service benefits reserve			3,134	3,134	
	481,065,964	277,469	42,473,705	523,817,138	458,888,444
<b>Decreases in reserves</b>					
Members' pensions	35,480,296			35,480,296	28,302,694
Members' contributions plus interest refunded	17,822,159			17,822,159	27,142,219
Transfers to other pension plans	1,049,583			1,049,583	653,207
Income credited to administered pension funds (note 5)	23,930,492			23,930,492	19,201,710
Transfers to basic benefits reserve for:					
• Pension present value		372,494	23,858,171	24,230,665	20,753,727
• Members' contributions plus interest refunded		3,308	155,877	159,185	11,538,456
• Transfer to other pension plans		9,866	7,742	17,608	7,232
• Conversion NRA 65 to NRA 60					243,870
• Purchase waiting period			249,387	249,387	2,741
• Purchase additional pension					506,332
• Purchase transferred-in service					2,664,778
• Closing supplementary agreements			359,566	359,566	
		385,668	24,630,743		
• Administrative expenditures			298,364	298,364	278,355
Transfer to supplementary benefits reserve for:					
• Closing prior service agreements		3,134		3,134	
Administrative expenditures					
• Pensions	2,132,967			2,132,967	1,809,478
• Investments	722,811			722,811	468,088
	81,138,308	388,802	24,929,107	106,456,217	113,572,887
<b>Balance, end of the year</b>	<b>\$2,118,690,655</b>	<b>\$4,928,629</b>	<b>\$153,088,496</b>	<b>\$2,276,707,780</b>	<b>\$1,859,346,859</b>



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Schedule of Administrative Expenditures

### for the year ended December 31, 1980

	1980	1979
<b>Personal services including employee benefits</b>		
Salaries of regular staff	\$1,394,269	\$1,148,709
Salaries of casual staff	61,442	55,053
Pensions	104,676	84,794
Unemployment insurance	15,278	12,632
Workmen's compensation	1,690	1,864
Hospital and medical insurance	56,039	47,446
Term-life insurance	11,100	7,282
Long-term disability insurance	12,460	9,523
	<u>\$1,656,954</u>	<u>\$1,367,303</u>
<b>Transportation and communication</b>		
Travel expenses, including overtime meal allowances	\$ 49,435	\$ 37,411
Telephone	69,553	51,866
Postage and express	54,330	45,889
	<u>\$ 173,318</u>	<u>\$ 135,166</u>
<b>Purchases of service</b>		
Actuarial services	\$ 44,385	\$ 39,510
Audit services	38,550	23,650
Medical services	21,705	15,615
Legal services	46,513	44,844
Other professional services	127,701	119,869
Recruitment and training of employees	11,922	16,603
Rental of offices	224,703	146,678
Rental of equipment, including data processing	209,888	144,404
Maintenance and repair of equipment	7,002	5,533
Electricity	7,823	5,896
Insurance	2,313	2,289
Board's services	40,733	27,670
	<u>\$ 783,238</u>	<u>\$ 592,561</u>
<b>Materials and supplies</b>		
Furniture and equipment purchases	\$ 43,897	\$ 34,196
Supplies and stationery	98,076	101,769
Publications for members and employers	94,664	45,710
Alterations to offices	5,631	861
	<u>\$ 242,268</u>	<u>\$ 182,536</u>
<b>Total expenditures</b>	<u>\$2,855,778</u>	<u>\$2,277,566</u>
<b>Distribution</b>		
— Pensions	\$2,132,967	\$1,809,478
— Investments	722,811	468,088
	<u>\$2,855,778</u>	<u>\$2,277,566</u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements

### for the year ended December 31, 1980

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Investments*

Investments are recorded in the accounts at cost. Gains or losses on their disposal are credited or charged to income. Income from investments is recorded on the accrual basis.

##### *Contributions*

Member and employer contributions received subsequent to the year-end, but which are applicable to the current year, are recorded as receivables.

##### *Benefits*

Payments for benefits are recorded in the year in which such payments are made.

#### 2. INVESTMENTS

The following is a description of the investments:

- (a) Province of Ontario debentures issued under section 7(3) of The Ontario Municipal Employees Retirement System Act.

<u>Date of Maturity</u>	<u>Weighted Average Interest Rate</u>	<u>Cost</u>
December 31, 1993	8.06%	\$ 129,500,000
December 31, 1994	9.50%	148,825,000
December 31, 1995	9.70%	182,250,000
December 31, 1996	6.00%	20,100,000
December 31, 1997	6.30%	24,900,000
December 31, 1998	7.21%	33,100,000
December 31, 1999	8.19%	46,700,000
December 31, 2000	9.10%	57,600,000
December 31, 2001	7.85%	75,000,000
December 31, 2002	9.50%	265,800,000
December 31, 2003	9.45%	187,950,000
December 31, 2006	9.77%	121,300,000
		<u>\$1,293,025,000</u>

The weighted average interest rate on the total investment in Ontario debentures is 9.07%.

Market value for the Ontario debentures has not been determined as these debentures have no quoted market value. The values stated remain unchanged from those reported at December 31, 1979.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements for the year ended December 31, 1980

### 2. INVESTMENTS (continued)

(b) Investments commencing September 30, 1975 under section 7(3b) of The Ontario Municipal Employees Retirement System Act which are subject to the limitations of The Pension Benefits Act.

	1980		1979	
	Market Value	Cost	Market Value	Cost
Bonds and Debentures	\$306,129,894	\$349,952,318	\$216,580,333	\$242,397,464
Mortgages	323,980,523	407,092,511	251,178,524	283,382,444
Equities	445,760,443	342,336,224	168,292,263	142,062,810
Real Estate	36,772,734	30,967,034	23,933,138	19,486,272
Short Term Deposits	77,856,117	77,856,117	71,220,647	71,220,647
Term Lending	7,204,922	7,204,922	448,000	448,000
	<u>\$1,197,704,633</u>	<u>\$1,215,409,126</u>	<u>\$731,652,905</u>	<u>\$758,997,637</u>

Market value is quoted value for bonds, debentures and equities.

Market value for mortgages is computed based on market yields.

Market value for real estate is appraised value as provided by our property managers.

(c) Total investments at cost \$2,508,434,126 \$2,052,022,637

### 3. BASIC BENEFITS RESERVE

The basic benefits reserve is maintained for the payment of pensions to retired members or their beneficiaries and the future payment of pensions and benefits to contributing members and to terminated members who have elected a deferred pension.

The latest actuarial valuation of the Fund dated January 1, 1980 determined the total actuarial liabilities of the Fund for basic benefits to be \$1,733,874,000 using the unit credit cost method. The basic benefits reserve to meet these liabilities as at December 31, 1979 was \$1,718,763,000 resulting in an actuarial deficiency of \$15,111,000. The value at January 1, 1980 of the outstanding special payments established to fund the actuarial deficiency existing at January 1, 1978 was \$104,970,000.

The results of the valuation projected to December 31, 1980 indicate that the existing levels of member and employer contributions are sufficient to meet the cost of benefits to be earned in each calendar year and to meet the special annual payments referred to above.

# **ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND**

## **Notes to the Financial Statements for the year ended December 31, 1980**

### **4. PRIOR SERVICE AND SUPPLEMENTARY BENEFITS RESERVES**

Under the terms of The Ontario Municipal Employees Retirement System Act various participating employers have entered into agreements with the Board for the provision of prior service and/or supplementary benefits. The prior service and supplementary reserves represent the net assets available for payment of benefits under the agreements. Each employer is responsible, individually, for the funding of such benefits.

### **5. ADMINISTERED PENSION FUNDS**

The administered pension funds (which form part of the Fund and which are administered on behalf of the Ontario Council of Regents for Colleges of Applied Arts and Technology, the Ryerson Polytechnical Institute, the Elliot Lake Centre d'Elliot Lake and the members of the Legislative Assembly as represented by the Board of Internal Economy [the Caucus Employees Retirement Fund] and the Minister of Energy for the Province of Ontario [The Ontario Hydro Guarantee Fund]) are credited with amounts which are equal to the income earned by the Fund from the investment of the monies deposited in the Fund by the administered pension funds. The Ontario Municipal Employees Retirement Board is authorized under the terms of the various management agreements to recover its expenses for administering the aforementioned plans.

### **6. COMMITMENTS**

Total commitments outstanding at December 31, 1980 amounted to approximately \$200,000,000, of which \$176,000,000 related to mortgages, \$15,000,000 to real estate and the remaining \$9,000,000 to term lending.

The administration of the Fund is conducted on leased premises and the Fund has entered into a lease agreement which involves a minimum annual base rental of \$251,224 to January 31, 1986. Effective March 1, 1981 additional space has been leased with an annual base rental of \$31,920 to January 1, 1986.

April 3, 1981

AUDITORS' REPORT TO THE  
ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

We have examined the balance sheet of the Ontario Municipal Employees Retirement Fund as at December 31, 1980 and the statement of the reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1980 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A stylized, handwritten signature of the firm Coopers & Lybrand, written in dark ink.

CHARTERED ACCOUNTANTS

BOSTON  
CHICAGO  
CLEVELAND  
DALLAS  
DETROIT  
FORT WORTH  
HONOLULU  
HOUSTON  
LOS ANGELES  
MEMPHIS  
MIAMI  
MINNEAPOLIS-  
ST. PAUL  
NEW YORK

THE *Wyatt* COMPANY

ACTUARIES-EMPLOYEE BENEFIT CONSULTANTS-RISK MANAGEMENT CONSULTANTS  
INTERNATIONAL BENEFITS-EMPLOYEE COMMUNICATIONS  
141 ADELAIDE STREET WEST  
TORONTO, ONTARIO M5H 3L5

(416) 862-0393

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STAMFORD  
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—  
CALGARY  
HALIFAX  
MONTREAL  
OTTAWA  
TORONTO  
VANCOUVER

Actuarial Certificate at December 31, 1980

Ontario Municipal Employees Retirement Fund

The most recent actuarial valuation of the above Plan was conducted at January 1, 1980 using the unit credit cost method.

The results of the valuation disclosed total actuarial liabilities of \$1,733.874 million in respect of benefits accrued for service to January 1, 1980. The book value of accumulated assets at that date was \$1,718.763 million indicating an actuarial deficiency of \$15.111 million. However, the value at January 1, 1980 of scheduled special payments was \$104.970 million which is more than sufficient to discharge the deficiency.

The results of the valuation at January 1, 1980 also indicated that the existing levels of employee and employer contributions are sufficient to meet the cost of benefits to be earned each calendar year and to meet the special annual payments referred to above until the next actuarial valuation is made.

We are of the opinion, therefore, that the assets of the Fund at December 31, 1980 combined with the value of the remaining special payments are sufficient to meet all the liabilities of the Plan in respect of services rendered by members up to that date.

Respectfully submitted

THE WYATT COMPANY

*R. Alvin Field*

April 10, 1981

R. Alvin Field, F.S.A.  
Fellow, Canadian Institute of Actuaries

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## 5 Year Review of Financial Data — 1976 to 1980

(\$ Thousands)	1980	1979	1978	1977	1976
*Investments at Cost					
Provincial Debentures	\$1,293,025	\$1,293,025	\$1,293,025	\$1,171,725	\$ 983,775
Marketable Securities	1,215,409	758,997	328,598	158,107	76,684
	<u>\$2,508,434</u>	<u>\$2,052,022</u>	<u>\$1,621,623</u>	<u>\$1,329,832</u>	<u>\$1,060,459</u>
* Reserve for Basic Benefits	\$2,118,691	\$1,718,763	\$1,377,027	\$1,078,781	\$869,076
Funds Held for:					
Prior Service					
Agreement Reserve	4,929	5,040	7,987	8,002	8,247
Supplementary Benefit					
Agreement Reserve	153,088	135,544	129,017	118,712	87,713
Managed Plans	276,819	226,768	182,805	145,851	112,887
	<u>\$2,553,527</u>	<u>\$2,086,115</u>	<u>\$1,696,836</u>	<u>\$1,351,346</u>	<u>\$1,077,923</u>
Investment Income Earned					
Basic Plan	\$ 177,907	\$137,381	\$108,423	\$ 84,268	\$ 65,560
Prior Service Agreements	246	95	410	427	404
Supplementary Benefit Agreements	12,703	11,613	10,997	8,947	5,923
Managed Plans	23,930	19,202	15,007	11,907	8,649
	<u>\$214,786</u>	<u>\$168,291</u>	<u>\$134,837</u>	<u>\$105,549</u>	<u>\$ 80,536</u>
Contributions Received for:					
Basic Plan	\$ 253,571	\$226,440	\$206,470	\$141,075	\$127,315
Prior Service Agreements	32	32	32	348	827
Supplementary Benefit Agreements	29,768	27,836	25,593	32,436	33,017
	<u>\$283,371</u>	<u>\$254,308</u>	<u>\$232,095</u>	<u>\$173,859</u>	<u>\$161,159</u>
Payments to Members					
Pensions Paid	\$ 35,480	\$ 28,303	\$ 21,649	\$ 16,660	\$ 12,367
Contributions and					
Interest Refunded	17,822	27,142	19,515	8,433	8,505
Transfers to Other Plans	1,050	653	566	647	586
	<u>\$ 54,352</u>	<u>\$ 56,098</u>	<u>\$ 41,730</u>	<u>\$ 25,740</u>	<u>\$ 21,958</u>
Administrative Expenditures					
and Recoveries					
Pension Program					
Gross	\$ 2,133	\$ 1,809	\$ 1,564	\$ 1,300	\$ 1,316
Fee Recoveries	640	573	526	564	567
Net	\$ 1,493	\$ 1,236	\$ 1,038	\$ 736	\$ 749
Investment Program	723	468	364	209	111
	<u>\$ 2,216</u>	<u>\$ 1,704</u>	<u>\$ 1,402</u>	<u>\$ 945</u>	<u>\$ 860</u>
Average Yield on Investments					
Provincial Debentures	9.07%	9.07%	9.07%	8.93%	8.91%
Marketable Securities	10.71%	10.88%	10.47%	10.50%	9.68%
Total Portfolio	9.74%	9.55%	9.25%	9.10%	8.92%
Pension Program Net Expenditure					
as a % of Basic Plan Contributions	0.59%	0.55%	0.50%	0.52%	0.59%

\*the amount shown for each year as at December 31 is cumulative

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## 5 Year Review of Selected Data — 1976 to 1980

	1980	1979	1978	1977	1976
* Employers					
Municipalities	487	473	465	459	450
School Boards	122	123	123	122	123
Other Local Boards	418	419	405	399	403
	<u>1,027</u>	<u>1,015</u>	<u>993</u>	<u>980</u>	<u>976</u>
* Members Contributing, Employed by					
Municipalities	61,875	60,757	59,691	54,031	52,538
School Boards	30,033	29,619	29,428	27,529	27,026
Other Local Boards	27,823	27,110	26,496	24,470	22,868
	<u>119,731</u>	<u>117,486</u>	<u>115,615</u>	<u>106,030</u>	<u>102,432</u>
* Members Contributing					
Female	42,743	41,224	40,119	35,420	33,942
Male	76,988	76,262	75,496	70,610	68,490
	<u>119,731</u>	<u>117,486</u>	<u>115,615</u>	<u>106,030</u>	<u>102,432</u>
* Normal Retirement Age 65	103,420	101,872	100,377	91,771	88,953
* Normal Retirement Age 60	16,311	15,614	15,238	14,259	13,479
	<u>119,731</u>	<u>117,486</u>	<u>115,615</u>	<u>106,030</u>	<u>102,432</u>
* Terminated Members Who Have					
Elected a Deferred Pension	<u>3,551</u>	<u>3,320</u>	<u>3,464</u>	<u>3,859</u>	<u>3,398</u>
* Number of Pensioners by Type					
of Pension					
Normal Retirement	11,558	10,550	9,415	8,456	7,552
Early Retirement	2,451	1,986	1,560	1,260	999
Disability Retirement	1,232	1,078	870	719	623
Spouses and Children	4,029	3,631	3,152	2,725	2,297
	<u>19,270</u>	<u>17,245</u>	<u>14,997</u>	<u>13,160</u>	<u>11,471</u>
* Total Membership Comprising					
Contributing Members, Deferred					
Pensions, and Pensioners	<u>142,552</u>	<u>138,051</u>	<u>134,076</u>	<u>123,049</u>	<u>117,301</u>
Number of Members					
Enrolled Each Year	13,914	13,168	19,023	12,480	14,885
Number of Members					
Terminated Each Year	<u>11,669</u>	<u>11,297</u>	<u>9,438</u>	<u>8,882</u>	<u>9,728</u>
Net Increase Each Year	<u>2,245</u>	<u>1,871</u>	<u>9,585</u>	<u>3,598</u>	<u>5,157</u>

\* Cumulative totals at year end



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Historical Highlights

**1962** — An Act establishing the Ontario Municipal Employees Retirement System was given Royal Assent on April 18th.

**1963** — The first members of the System were enrolled on January 1st and the first contributions received one month later.

**1965** — Amendments were made for the "locking-in" of contributions as required under The Pension Benefits Act.

After July 1, 1965 all persons engaged by a municipality or local board must participate in OMERS to receive pension benefits.

Provision was made for OMERS to manage and administer other pension plans.

**1966** — The contributions and benefits were integrated with the contributions and benefits of the Canada Pension Plan.

Employees of electric utilities became members of OMERS for the first time.

**1967** — The supplementary benefit program was introduced.

**1968** — The eleven member Board was appointed by the Lieutenant Governor in Council on January 1.

The interest rate on the special Provincial debentures issued to OMERS at each year end was increased from 5% to 6½%.

The benefit formula was increased 10% from 2% of career earnings to 2.2% of career earnings.

**1969** — A disabled widower was extended the same benefits as a widow on the death of a member.

**1970** — The interest rate on the special Provincial debentures issued to the Board at each year end was changed from 6½% to the average borrowing costs of the Province during a year.

All basic pension benefits earned or payable on December 31, 1970 were increased by 10%.

**1971** — All basic pension benefits earned or payable at December 31, 1971 were increased by 5%.

In addition to the 50% widows' and disabled widowers' pensions payable on the death of a member, a further pension of 10% for each child of the deceased member to a maximum of 25% was introduced.

**1972** — Councillors became eligible for membership in the System.

All basic pension benefits earned or payable on December 31, 1972 were increased by 5%.

**1973** — An employer could improve the pensions being paid to retired employees through the System.

Rates of interest on special Provincial debentures issued to the Board during the years 1963 to 1969 were retroactively adjusted.

All basic pension benefits earned or payable at December 31, 1973 were increased by 5%.

**1974** — A portion of available funds could be invested in marketable securities under the provisions of The Pension Benefits Act commencing in 1975.

**1975** — All basic pension benefits earned by active and deferred members as at December 31, 1975 were increased by 10%.

All pensions being paid to retired members on December 31, 1975 were increased 10%.

A widower of a member became entitled to the same 50% pension as a widow on the death of a member.

**1976** — Optional service, being service with another governmental employer or war service was added to the supplementary benefit program.

**1978** — Pension formula changed from 2.2% career average earnings basis to a 2% final average earnings basis.

**1979** — All pensions being paid to retired members on December 31, 1978 were increased 3% from March 1, 1979.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Benefits

### Basic Benefits

**Normal retirement** at age 65 — except policemen and firemen who may retire at age 60.

The annual **normal retirement pension** payable to a member is 2% of pensionable earnings multiplied by credited service, reduced when the member becomes entitled to a pension under the Canada Pension Plan. In this formula:

"pensionable earnings" means the annual average of the 60 highest consecutive months of earnings;

"credited service" means continuous service when contributions have been made;

"CPP reduction" means 0.7% of the annual average of the Year's Maximum Pensionable Earnings under the CPP in the year of retirement and the two preceding years times credited service since January 1, 1966.

A **total disability retirement benefit** for a disability that, in the first two years renders a member incapable of performing the duties of his or her position and thereafter of any substantially gainful employment. The totally disabled member may continue to accrue credited service without contribution until normal retirement age or may elect a disability pension.

A **pension to a widow or widower** of one-half the member's pension plus 10% for each child under 21 years of age to a maximum of 25% and, where there is no widow or widower, a pension of one-half the member's pension to the child or children of the member under 21 years of age.

A **deferred pension**, payable at normal retirement age, if a member ceases to be employed before his normal retirement date. The pension benefits earned by a member under the System vest immediately in the member.

An **early retirement pension**, commencing within the 10 year period before normal retirement age, which is the actuarial equivalent of the normal retirement pension.

A **refund** of the contributions of a member plus interest if the member terminates his employment, except if at termination the member has ten years of continuous service with

the employer and is over 45 years of age. In this event contributions made after January 1, 1965 may not be refunded.

**Portability** of the pension if a member transfers employment from one participating employer to another within 6 months or to other governmental pension plans under special reciprocal transfer agreements.

**Supplementary Benefits** (provided by an agreement between a participating employer and OMERS)

**Type I** — Final Average Earnings, Past Service Pension

The Type I provides a benefit based on 2% of final average earnings and service before employer participation in OMERS. Any pension earned under a prior service agreement or approved pension plan during this period of past service is deducted.

**Type II** — Current Average Earnings, Past Service Pension

The Type II provides a benefit based on 2% of current average annual earnings and service before employer participation in OMERS. Any pension earned under a prior service agreement or approved pension plan during this period of past service is deducted.

**Type III** — Unreduced Early Retirement Pension

Normally, if a member retires early (within 10 years of normal retirement date) the pension benefit payable under a Type I or II supplementary benefit and the Basic Plan is actuarially reduced. The Type III benefit provides for payment of the amount of this reduction if a member retires within 10 years of normal retirement date under the following conditions:

(a) completion of 30 or more years of continuous service with the employer, or

(b) retirement due to permanent partial disability as determined by the employer.

**Optional Service** — The service of a member with another governmental employer or war service may be added to a Type I or Type II benefit and the member must contribute on a formula basis to be entitled to this service. This service becomes additional past service of the member.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Summary of Marketable Securities

### as at December 31, 1980

(\$ Thousands)

	Amortized Book <u>Value</u>	Percentage of <u>Portfolio</u>	Yield on Book <u>Value</u>	Estimated Market <u>Value*</u>
<b>Mortgages</b>				
Residential (NHA Insured)				
— Single Family	\$ 25,337	2.1%	10.97%	
— Condominium	4,874	0.4	11.65	
— Rental	315,963	26.0	10.89	
— Non-profit	13,080	1.1	13.16	
Residential (Privately Insured)				
— Rental	9,298	0.7	10.58	
Commercial (Uninsured)				
— Shopping Centres	16,347	1.3	11.45	
— Office Buildings	13,086	1.1	12.39	
— Hotel	6,933	0.6	11.74	
— Retail	2,175	0.2	10.37	
<b>Total Mortgages</b>	<u>\$407,093</u>	<u>33.5%</u>	<u>11.05%</u>	<u>\$323,981</u>
<b>Bonds</b>				
Government — Canada	\$ 90,617	7.5%	10.59%	\$ 77,552
— Provincial	146,884	12.1	11.86	132,802
— Municipal	24,432	2.0	10.73	19,505
Corporate	88,019	7.2	12.25	76,271
<b>Total Bonds</b>	<u>\$349,952</u>	<u>28.8%</u>	<u>11.35%</u>	<u>\$306,130</u>
<b>Equities</b>				
Canada — Individual Stocks				
— Metals and Minerals	\$ 24,509	2.0%	4.72%	\$ 33,503
— Oil and Gas	13,604	1.1	1.89	16,391
— Paper and Forest Products	5,051	0.4	6.57	7,679
— Consumer Products	27,316	2.3	4.23	34,450
— Industrial Products	23,008	1.9	5.60	26,124
— Transportation	7,496	0.6	5.05	8,896
— Pipelines	8,372	0.7	3.86	10,517
— Utilities	6,290	0.5	8.10	6,694
— Communications and Media	4,752	0.4	5.31	6,663
— Merchandising	4,930	0.4	4.70	4,634
— Financial Services	33,561	2.8	6.37	45,221
— Management Companies	5,279	0.4	6.05	8,070
Canada — Mutual Funds	11,133	0.9	3.33	22,687
<b>Total Canadian Equities</b>	<u>\$175,301</u>	<u>14.4%</u>	<u>4.97%</u>	<u>\$231,529</u>

# **ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND** **Summary of Marketable Securities as at December 31, 1980**

(\$ Thousands)

	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
<b>Equities (continued)</b>				
Non-Canadian (Canadian \$)				
United States				
— Individual Stocks				
— Consumer Products	\$ 14,641	1.2%	6.12%	\$ 15,557
— Computer	3,431	0.3	5.27	3,646
— Tobacco	4,157	0.3	7.16	5,774
— Financial Services	9,677	0.8	5.40	11,006
— Energy	12,377	1.0	6.12	19,732
— Merchandising	3,314	0.3	6.06	3,914
— Airlines	1,145	0.1	0.50	1,116
— Photography	3,965	0.3	6.21	4,996
— Conglomerate	7,650	0.6	4.42	10,629
— Industrial	12,578	1.1	7.10	13,052
— Mutual Funds	78,449	6.5	2.70	105,948
Pacific — Mutual Funds	3,640	0.3	0.11	5,331
— Managed Fund	6,741	0.6	—	7,852
Europe — Managed Fund	5,270	0.4	3.75	5,678
<b>Total Non-Canadian Equities</b>	<b>\$ 167,035</b>	<b>13.8%</b>	<b>3.95%</b>	<b>\$ 214,231</b>
<b>Total Equities</b>	<b>\$ 342,336</b>	<b>28.2%</b>	<b>4.53%</b>	<b>\$ 445,760</b>
<b>Real Estate</b>	<b>\$ 30,967</b>	<b>2.5%</b>	<b>10.96%</b>	<b>\$ 36,773</b>
<b>Term Lending</b>	<b>\$ 7,205</b>	<b>0.6%</b>	<b>16.88%</b>	<b>\$ 7,205</b>
<b>Short Term</b>	<b>\$ 77,856</b>	<b>6.4%</b>	<b>18.39%</b>	<b>\$ 77,856</b>
<b>Total</b>	<b>\$1,215,409</b>	<b>100.0%</b>	<b>9.77%</b>	<b>\$1,197,705</b>

**\* Estimated Market Values**

Mortgages:	Computed on current market yields
Bonds:	Quoted values
Equities:	Quoted values
Real Estate:	Appraised values





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ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

1981  
ANNUAL  
REPORT





**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD**

**1981 ANNUAL REPORT**





ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD  
2 BLOOR STREET WEST (27TH FLOOR), TORONTO, ONTARIO M4W 3E2, (416) 967-0637

April 23, 1982

The Honourable Frank S. Miller  
Treasurer of Ontario and  
Minister of Economics  
Frost Building South  
Queen's Park  
Toronto, Ontario

Dear Mr. Miller:

I am pleased to present to you the Annual Report of the Ontario Municipal Employees Retirement Board for the year ended December 31, 1981 in accordance with section 4(8) of the Ontario Municipal Employees Retirement System Act.

The accompanying report indicates that the Ontario Municipal Employees Retirement System continues to expand with increased employer participation, increased membership and a greater number of retired members or their beneficiaries receiving pensions each month. The portfolio of invested assets also increased substantially during the year and exceeded \$3 billion at year end.

1981 was a significant year for those responsible for managing and administering pension plans with the receipt of the Report of the Royal Commission on the Status of Pensions in Ontario and the formation of a Select Committee of the Legislature on Pensions. The Board expects some fundamental changes to result from these examinations of employment pension plans and public retirement income programs and spent considerable time examining the possible effects on OMERS as well as examining potential improvements to the System.

On behalf of the members of the Board, I would like to thank you for your assistance and guidance during the year and to indicate how much the members of the Board appreciate the opportunity of managing and administering this retirement program of employees of local governments in Ontario.

The accompanying report is respectfully submitted to you.

Yours truly,

A handwritten signature in dark ink, reading 'A. J. Roberts'.

A. J. Roberts  
Chairman of the Board

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# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

as at December 31, 1981



Mr. A. J. Roberts, Chairman  
Consumer Relations  
Representative  
St. Catharines Hyrdo  
Electric Commission



Mr. G. E. Boyce, Vice-Chairman  
Superintendent  
Business Administration  
Sudbury Board of Education



Mr. C. R. Bernardi  
Immediate Past Chairman  
Director of Personnel  
and Labour Relations  
City of Sault Ste. Marie



Mr. R. F. Bevan, Past Chairman  
Superintendent  
Niagara Regional Police Force



Mr. G. McIntyre  
Assistant Deputy Minister  
Ministry of Treasury  
and Economics



Mr. P. R. Burke  
Firefighter  
City of Windsor



Mr. D. C. Schaefer  
Commissioner of Finance  
City of Waterloo



Mr. S. P. Dobbin  
Chief Custodian  
Toronto Board of Education



Mr. M. Scott  
Mayor  
Township of Lake of Bays



Mrs. L. McIntosh  
Registered Nurse  
Thunder Bay Home for the Aged



Mrs. E. Stewart  
Mayor  
City of Gloucester

**INVESTMENT POLICY COMMITTEE OF THE BOARD**  
**as at December 31, 1981**

Mr. R. M. MacIntosh, Chairman  
Canadian Banker's Association

Mr. A. J. Roberts  
Member of the Board

Mr. J. C. C. Wansbrough  
National Trust Company Limited

Mr. D. C. Schaefer  
Member of the Board

Mr. H. M. Cunningham  
Cockfield, Cooper, Cunningham  
Investment Counsel Inc.

Mr. A. W. Reeve  
Executive Director

Mr. N. J. Short  
Guardian Capital Group Limited

Mr. D. A. Beggs  
Director of Investments

Mr. C. R. Bernardi  
Member of the Board

**ADVISORS TO THE BOARD**

Mr. R. A. Field, F.C.I.A.  
The Wyatt Company  
Actuary

Mr. Purdy Crawford, Q.C.  
Osler, Hoskin & Harcourt  
Legal Advisor

Dr. R. G. MacKenzie, M.D.  
Medical Advisor

Coopers & Lybrand  
Auditors

**SENIOR STAFF**

Mr. A. W. Reeve  
Executive Director

Mr. G. A. Tyson  
Director of Pension  
Administration

Mr. D. A. Beggs  
Director of Investments

Mr. D. W. Barron  
Special Assistant to  
the Executive Director

**COMPOSITION OF THE BOARD**

**Employee Representatives:**

Mr. R. F. Bevan, Mr. P. R. Burke, Mr. S. P. Dobbin, Mrs. L. McIntosh, Mr. A. J. Roberts.

**Three Employee Representatives who are "officers" of an employer:**

Mr. C. R. Bernardi, Mr. G. E. Boyce, Mr. D. C. Schaefer.

**Two Elected Representatives:**

Mr. M. Scott, Mrs. E. Stewart.

**One Provincial Official:**

Mr. G. McIntyre.





# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## 1981 Annual Report

### INTRODUCTION

This report outlines the activities of the Board in the management and administration of OMERS during 1981 and includes the audited financial statements of the Fund as at December 31, 1981.

The report outlines the responsibilities of the Board, the pension program, major activities during 1981, pension administration, investment program, administrative expenses, actuarial valuation results, managed plans and the advisors to the Board. Schedules included in the report provide a five year history of financial and membership data, a summary of historical highlights, a brief summary of the pension benefits and details of investments in capital market securities.

### BOARD RESPONSIBILITIES

The Ontario Municipal Employees Retirement Board is responsible for the management and administration of the System. These responsibilities include organization and staffing, the receipt and investment of funds, the calculation and payment of benefits, the participation of employers, the enrolment of members, the maintenance of individual member records, communication with members and employers, financial reporting and reviewing actuarial valuations of the Fund.

The Board also undertakes research and studies in benefit development and other current pension matters and makes recommendations for changes to the OMERS Act and regulations.

The Board is comprised of eleven members who are appointed by the Lieutenant Governor in Council to three year terms with about one-third of the membership completing their term each year. As of December 31, 1981, the eleven member Board is comprised of eight employees of local government, two elected officials of local government and one Provincial civil servant.

### THE PENSION PROGRAM

The OMERS pension program divides into four main parts:

- (i) the basic OMERS plan under which each of the participating employers and each of the members contribute at uniform rates and each of the members receives pension benefits based on the same formula;
- (ii) the supplementary benefit program which establishes pension benefits for the service of a member prior to participation in the basic OMERS plan, as well as special early retirement pensions or optional service entitlements, and these benefits are provided by individual employers for all or groups of employees under an agreement with the Board;
- (iii) prior service agreements, which absorbed pension plans in existence prior to the establishment of OMERS;
- (iv) a scheme whereby individual employers may increase the pensions being paid to retired former employees or their beneficiaries.

The Board is also authorized to manage and administer other governmental pension plans separate and distinct from OMERS. Under separate agreements, the Board manages the pension plans of Ryerson Polytechnical Institute, the Colleges of Applied Arts and Technology, the Caucus Employees of the Legislature and a special plan providing pension guarantees related to the restructuring of local electric utilities. These pension plans are referred to as "managed plans" throughout this report.

### MAJOR ACTIVITIES — 1981

There were no changes to the Ontario Municipal Employees Retirement System Act in 1981. However, there were a number of amendments to the regulations made under the Act.

The definition of contributory earnings was amended to clarify that the contributions received from a member in any year will determine the related contributory earnings in case there was some dispute in the future.

The sections of the regulations providing for participation in groups of employees who now contribute to existing municipal pension plans were amended to ensure that if 75% of the members of such a group elect to become members of OMERS, then the entire group of employees must become members.

The sections of the regulations dealing with members who have contributed or will contribute in the future at both normal retirement age 65 and 60 have been amended to ensure that at retirement the member has all service at one normal retirement age. Provision has been made for the conversion to one age with appropriate adjustments to service or contributions.

Two significant improvements were made to the conditions attached to the pension to a widow or a widower on the death of a member. The spouse pension no longer ceases on the remarriage of the spouse and now continues to be paid for the lifetime of the spouse. The reduction to the spouse pension where the spouse is more than ten years younger than the member has been eliminated.

The additional amount of spousal pension payable where there are children of the member under 21 years of age can now be paid to a person having custody of the children if this person is other than the spouse.

The Yukon and Northwest Territories were added to the section of the regulations allowing for the transfer of pension benefits to and from other governmental pension plans.

During 1981, the Board spent considerable time examining the Report of the Royal Commission on the Status of Pensions in Ontario. The Board prepared a response to this Report and this was discussed in some detail at a meeting convened in April, 1981 and attended by representatives of organizations of members and employers. Generally speaking, there was support for the Board's position.

Later in 1981 the Provincial Legislature established a Select Committee on Pensions to study the Royal Commission Report. The Board forwarded to the Committee its response to the Royal Commission Report

and asked to appear before the Committee. This appearance took place in January, 1982. The report of the Select Committee is expected in the near future and should form the basis of proposed reforms to pension plans in Ontario including OMERS.

The Board also examined a long list of proposed benefit changes with a view to providing improvements that have been requested by members, their representatives and employer organizations. These proposals were ranked in order of priority and the Board's actuary was asked to prepare cost estimates of certain major improvements. A special Board meeting was held in October, 1981 devoted entirely to the issue of benefit improvements and recommendations were formulated and sent to the Treasurer of Ontario for consideration. Discussions are currently being held with the Treasurer on these proposals.

The major benefit changes under serious consideration are related to the improvement of pensions under payment, early retirement benefits and a simplified administration of supplementary benefits.

During 1981, the Board examined proposed changes to the assumptions used in the actuarial valuation of the Fund and agreed with the proposals of the Board's actuary. These proposals were submitted to the Pension Commission of Ontario and were subsequently approved by the Commission.

The results of the actuarial valuation of the Fund as at January 1, 1980 and January 1, 1981 based on the revised assumptions are presented in that part of this Report entitled "Actuarial Valuation".

The main changes to the assumptions used in the actuarial valuation of the Fund are as follows:

- mortality of active and retired lives was updated based on more current statistics
- rates of termination reflecting the actual experience of OMERS were introduced
- the assumption of the number of married members at death was reduced
- the rate of interest assumption was changed from 6% to 8%
- the rate of salary increase was changed from 5% to 8%
- the YMPE projections were changed to assume a 12½% increase through 1985 and 6% thereafter.

In addition, it was decided to take into account five year average unrealized gains or losses on equity investments in determining asset values for actuarial valuation purposes.

These new assumptions were introduced to reflect more realistic projections for the determination of the liabilities of the Fund.

During the first few months of 1981, the Board considered a detailed examination of the various responsibilities associated with the investment of funds in capital market securities and the role played by the Board, the Investment Policy Committee of the Board and the investment staff of the Board. This aspect of OMERS has added considerably to the responsibilities of the Board and the review resulted in changes in the delegation of duties but not in the overall approach and policies.

The Board continued issuing UPDATE three times in 1981. This publication provides employers and members with information concerning OMERS and the various deliberations of the Board concerning the System and pension benefits.

In 1977, the Board began holding regular Board meetings in various parts of Ontario and in conjunction with these meetings a meeting is held with member and employer representatives which allows for a discussion of OMERS with the Board members. Meetings have now been held in Kenora, Thunder Bay, Sault Ste. Marie, Timmins, Sudbury, Ottawa, Kingston, St. Catharines and London. Meetings are scheduled for Waterloo and Windsor in 1982.

A meeting was held in Toronto on April 23, 1981 with representatives of members and employers to examine the Board's position concerning the Report of the Royal Commission on the Status of Pensions in Ontario and also to discuss various benefit improvements for OMERS and the priorities attached to these improvements.

## **PENSION ADMINISTRATION**

### **Finance**

A five year review of financial highlights is found on Schedule 1.

Investments at cost increased 22.4% from \$2,508,434,000 to \$3,069,789,000 and these invest-

ments include investments held for the basic OMERS plan, prior service agreements, supplementary benefit agreements and the managed plans. Investment income increased from \$214,786,000 in 1980 to \$284,479,000 in 1981, an increase of 32.5%.

Basic plan contributions of members amounted to \$144,467,000 in 1981 representing an increase of 14.3% over 1980 member contributions. Employers contributed a matching amount in 1981 subject to minor adjustments. The employer contributions in 1981 of \$144,654,000 were 13.7% higher than those of 1980.

Payments made to or on behalf of members in 1981 amounted to \$67,909,000 representing payments of pensions, refunds of member contributions and interest and transfers to other pension plans. This is an increase of 25% over member payments in 1980. Actual pension payments in 1981 were 27.2% greater than in 1980.

The reserve for prior service agreements decreased in 1981 from \$4,929,000 to \$4,714,000 as this phase of OMERS winds down. The reserve for supplementary benefit agreements on the other hand increased from \$153,088,000 to \$176,539,000 in 1981, an increase of 15.3%.

Funds on deposit with OMERS representing investments of the managed plans increased 22.9% in 1981 from \$276,819,000 to \$340,059,000.

The reserve held by the Board for the basic plan benefits increased from \$2,118,691,000 to \$2,604,125,000 in 1981, an increase of 22.9%. This reserve is maintained for the payment of current pensions and the future payment of pensions earned by the contributing members of the System. The portion of the report entitled Actuarial Valuation compares the reserve at the beginning of 1981 with the liabilities for benefits being paid or earned as at the same date.

### **Membership**

On December 31, 1981, there were 489 municipalities, 126 school boards and 422 other local boards participating in OMERS for a total of 1,037 participating employers.

At the end of 1981, there were 123,037 members contributing to the System with 51.4% employees of municipalities, 25.1% employees of school boards and 23.5% employees of other local boards. 36.4% of the contributing members of OMERS are female and 13.6%

of the members are policemen or firemen with a normal retirement at age 60.

The change in membership in 1981 is as follows:

Contributing Members, January 1, 1981	119,731	
Members Enrolled	<u>14,475</u>	
		134,206
Terminating members electing:		
— a refund of contributions	7,633	
— a deferred pension	101	
— a transfer within OMERS	370	
— a transfer to another plan	54	
Disabled members electing a waiver	663	
Members retiring on pensions	2,024	
Deaths of members	<u>324</u>	<u>11,169</u>
Contributing members, December 31, 1981		<u>123,037</u>

When OMERS was established one of the objectives was to provide reasonable pension benefits at reasonable cost to the many smaller municipalities and local boards in Ontario by the "pooling" of both large and small groups. This objective has been achieved based on the fact that 559 of the 1,037 participating employers (54%) have less than 25 members of OMERS, with an average of 9 members each. On the other hand, the 24 employers with the greatest number of members represent 38% of the total membership and average 1,966 members.

At the end of 1981, there were 21,310 members or their beneficiaries receiving monthly pensions from OMERS representing an increase of 10.6% in the number of monthly pensions paid. 12,540 retired members were receiving normal retirement pensions, 2,886 were receiving early retirement pensions, 1,379 were receiving disability pensions and 4,374 spousal benefits and 131 children's benefits were under payment.

As at December 31, 1981, there were 3,326 members who had terminated their service and elected a deferred pension. During the year, 101 members elected a deferred pension on termination, 1 member was again enrolled in the System and 325 members commenced to receive a pension benefit. OMERS is one of the few pension plans in Canada that allows terminating members to leave their contributions in the System and obtain an entitlement to a pension benefit without requiring specific years of service for this entitlement. In pension jargon this is referred to as "immediate" vesting and the lack of such vesting in most pension plans has been singled out as one of the weaknesses of such plans. Because the "immediate" vesting provision of OMERS is optional for terminating members (unless they are 45 years of age and have completed

10 years of service) the experience of OMERS in the last five years would indicate that the majority of terminating members are not interested in protecting their pension entitlements.

In the 1977 to 1981 period, 40,991 members have terminated their service for reasons other than retirement and death and only 2,304 of these members (5.6%) elected to protect their pension entitlements.

When OMERS was first established many employers transferred funds held in former pension plans to OMERS under provisions of prior service agreements. These agreements are gradually diminishing in importance and at the end of 1981 the Board was administering approximately 200 such agreements covering only 1,517 members with assets of \$4,714,000.

In 1969, the Board entered into the first supplementary benefit agreement which is now utilized by individual employers to provide past service pension benefits and unreduced early retirement benefits. On December 31, 1981, the Board was administering 246 supplementary agreements covering 27,358 members with assets of \$176,539,000.

The following table summarizes member participation in supplementary benefits as at December 31, 1981:

Type 1	4,554
Type 1 and 3	3,678
Type 2	1,444
Type 2 and 3	30
Type 3 only	<u>17,652</u>
	<u>27,358</u>

The table indicates that 8,232 members have Type 1 coverage, which is past service based on the basic plan formula; 1,474 members have Type 2 coverage, which is past service based on recent earnings and 21,360 members have Type 3 coverage providing unreduced early retirement pensions. The members covered with the Type 3 supplementary benefit represent about 17% of the total membership.

## INVESTMENT PROGRAM

Funds for investment each year flow from member and employer contributions, interest and dividends from investments, profit on sale of investments and principal repayment of debt instruments less benefit payments, administrative expenses and losses on the sale of investment. These funds are derived from the operation of the basic plan, prior service agreements,



supplementary benefit agreements and the managed plans. All funds are pooled together for investment purposes and the following data with regard to the investment program reflects all of the funds invested by the Board.

During 1981, all funds available for investment were invested in capital market securities as was the case in 1980 and 1979. Prior to 1979, funds available for investment were invested in special Provincial debentures and capital market securities in the 1975 to 1978 period and only in special Provincial debentures prior to 1975.

When the board ceased to invest in special Provincial debentures on December 31, 1978, a total amount of \$1,293,025,000 had been so invested and these debentures provide a 9.07% average rate of return. It is often suggested that these funds were loaned to the Province at low interest rates. In fact these debentures now carry an interest rate reflecting the market conditions at that time. Details of these debentures can be found in the notes to the financial statements presented later in this report. The first debentures become due and payable on December 31, 1993 in the amount of \$129,500,000 and further debentures become due and payable each year thereafter.

The current status of the investments of OMERS at amortized cost is as follows:

(\$ Thousands)	As at December 31			
	1981		1980	
Equities	\$ 370,356	21%	\$ 342,336	28%
Bonds	497,435	28	357,157	29
Mortgages	483,134	27	407,093	34
Real Estate & Special	85,593	5	30,967	3
Short Term	340,246	19	77,856	6
Total Capital Market Securities	\$1,776,764	100%	\$1,215,409	100%
Special Provincial Debentures	1,293,025		1,293,025	
Total Investments	\$3,069,789		\$2,508,434	

The total portfolio grew 22% in both 1981 and 1980. However, the capital market securities increased 46% in 1981 and are expected to increase 36% in 1982 and 28% in 1983. This is a significant growth pattern and has increased considerably the responsibilities of the Board in the management of OMERS.

When the Board was first authorized to invest in capital market securities in 1975, a standing committee

of the Board was appointed comprising members and staff of the Board and outside investment specialists. The Investment Policy Committee of the Board meets monthly and is responsible for recommending overall investment policy to the Board for approval. It establishes shorter term strategies and recommends investment criteria under which the staff of the Board undertakes day to day investments. The Committee also authorizes certain types of investments.

The primary objective of the Board in investing funds in capital market securities is to maximize the value of the invested funds over time. This is accomplished through the addition of investment income and capital appreciation while bearing in mind the safety of the capital invested. The invested assets are held to meet the liabilities for benefits for contributing and retired members and the growth of the assets must at least match the increase in liabilities each year or additional contributions will be required.

Based on amortized cost amounts, the present broad investment policy of the Board and the December 31, 1981 position of the capital market securities is as follows:

Class of Asset	1981 Policy Range	Actual Year End Position
Equities	0 -40%	21%
Bonds	20%-65%	28
Mortgages	25%-75%	27
Real Estate and Special	0 -10%	5
Short Term	0 -25%	19

For the last four years, the average yield on the capital market securities portion of the portfolio is as follows:

	1981	1980	1979	1978
Year				
Yield	12.09%	10.71%	10.88%	10.47%

The formula for calculating the above yields is the net investment (income less investment expenses) divided by the average book value of investments, weighted monthly.

In 1981, the investments increased approximately \$560,000,000 based on amortized cost. The main increases were in short term investments \$262,000,000; bonds \$140,000,000 and mortgages \$75,000,000, although investments in real estate and special situations increased \$55,000,000 or 175%.

*Mortgage* investments during 1981 were primarily in loans for non-profit residential property insured by Central Mortgage and Housing Corporation under the National Housing Act. This was a reversal from the previous year where most activity was directed to commercial mortgages with participation in future cash flows from the operation of the project. Higher interest rate trends in 1981 made these former type of mortgages uneconomical for commercial development. The following table compares the mortgage portion of the portfolio at the end of 1981 and 1980 at amortized cost.

(\$ Thousands)	1981	1980
Residential		
— Single Family	\$ 21,983	\$ 25,337
— Condominium	4,762	4,874
— Rental	324,545	325,261
— Non-profit	58,741	13,080
Commercial		
— Shopping Centres	16,300	16,347
— Office Building	39,782	13,086
— Hotels	14,870	6,933
— Retail	2,151	2,175
	<u>\$ 483,134</u>	<u>\$ 407,093</u>
Percentage of Portfolio	27.2%	33.5%

The mortgage portion of the portfolio increased 19% in 1981 and as a percentage of the total portfolio decreased from 33.5% at the beginning of the year to 27.2% at year end. In addition to the investments of \$483,134,000 in mortgages, commitments of \$171,262,000 have been made and these will be funded during 1982 and 1983.

Rising interest rates have caused a further decline in the current market value of mortgage investments, estimated to be \$382,673,000 at the end of 1981, or 79% of the amortized cost value of \$483,134,000. As the general policy is to hold mortgages to maturity, no loss from current market valuations is contemplated.

*Bond* investments during 1981 continued to follow a defensive posture confining purchases to shorter term maturities as interest rates achieved record high levels in the year coupled with considerable volatility in the rates.

The following table shows the bond portion of the portfolio at the end of 1981 and 1980 at amortized cost:

(\$ Thousands)	1981	1980
Government Bonds:		
Canada	\$ 103,025	\$ 90,617
Provincial	196,181	146,884
Municipal	24,271	24,432
Corporate Bonds	145,325	88,019
Term Loans	28,633	7,205
	<u>\$ 497,435</u>	<u>\$ 357,157</u>
Percentage of Portfolio	28.0%	29.4%

The portion of the portfolio invested in bonds declined slightly from 29.4% to 28% reflecting the negative concerns for the bond market during 1981.

Purchase of Federal and Provincial bonds were made during the year as well as corporate bond investments which were confined mainly to five year term in major bank debt instruments. Term lending increased in 1981 and these are loans to small and medium sized businesses to finance expansions, acquisitions, debt restructuring and other business needs at rates of interest that are highly competitive recognizing the higher risk attached to these loans which are secured by corporate assets.

The bond segment of the portfolio at market value amounted to \$404,960,000 at year end and compares with an amortized cost figure of \$497,435,000 or a decline in value of 19%. This decrease in value results from currently high interest rates available in bonds which reduces the value of lower coupon rate bonds purchased in previous years. If these bonds are held to maturity their amortized cost (par value at that time) will be realized and no specific losses will be incurred.

The *equity* portion of the portfolio declined as a percentage of the total portfolio from 28.2% at the beginning of the year to 20.8% at year end. At the end of May, 1981, the portion in equities was 29.8% but with North American economies experiencing rates of inflation unprecedented since World War II, stemming largely from over-use of credit, high interest rates eventually brought the longest post war economic expansion to a halt and threatened stock market prices. Hence, in the second half of 1981, the equity portion of the portfolio was reduced by net sales of equities and investing new cash flow into short term securities. The following table shows changes in the equity portion of the portfolio between 1980 and 1981 year ends.

(\$ Thousands)	1981	1980
Canadian Investments		
Individual Stocks	\$ 176,384	\$ 164,168
Mutual Funds	12,614	11,133
U.S. Investments		
Individual Stocks	96,043	72,935
Mutual Funds	49,968	78,449
European Investments		
Managed Funds	5,101	5,270
Pacific Investments		
Mutual Funds	4,280	3,640
Managed Funds	25,966	6,741
	<u>\$ 370,356</u>	<u>\$ 342,336</u>
Percentage of Portfolio	20.8%	28.2%

Despite weak markets in the second half of 1981, at the end of the year the equity portion of the portfolio had a market value of \$413,898,000 which was 12% higher than the cost value of \$370,356,000 and in addition capital gains of \$34,132,000 were realized on the sale of equities during 1981.

The *real estate* and *special situation* portion of the portfolio again showed a dramatic increase in 1981 as it did in 1980. The year end comparisons are as follows:

(\$ Thousands)	1981	1980
Real Estate	\$61,375	\$26,032
Oil and Gas	4,879	4,935
Venture Capital	19,339	—
	<u>\$85,593</u>	<u>\$30,967</u>
Percentage of Portfolio	4.8%	2.5%

This portion of the portfolio increased 175% and as a percentage of the total portfolio increased from 2.5% at the end of 1980 to 4.8% at the end of 1981. The increase in funds invested into these types of investments is the result of a planned diversification of a small portion of the investments from the more established stock, bond and mortgage investments.

The real estate investments are structured to encompass three approaches to the acquisition and management of assets. The major portion of the program is conducted together with other Canadian pension funds through companies established and owned by the pension funds to search out real estate investments and manage the properties purchased on behalf of the funds. A smaller portion of the funds is invested with major established institutions into pooled funds where asset selection and management is provided by the institution on behalf of the investor. OMERS has also started a direct acquisition program to acquire selected

properties for our own account or in conjunction with other investors where the properties are managed by established property managers. Real estate investments provide an asset base which combines an ongoing rate of return from the commercial undertaking together with potential for capital appreciation.

The investment in oil and gas properties was made early in 1980 and represents a purchase of oil and gas producing properties made in consort with other pension funds. The Board established a wholly-owned subsidiary company to account for this particular investment.

Venture capital investments have been made through carefully selected investment management firms or by direct placement of funds into new or expanding firms mainly in the high technology or high growth areas of the economy. These investments should achieve higher than normal investment returns although there is a higher degree of risk attached to this type of investment.

The market value of this portion of the portfolio was estimated to be \$99,681,000 at the end of 1981 which represents an increase of 16% over the cost value of \$85,593,000. The market value is understated since only one-third of the real estate properties are valued at market each year due to the cost of yearly appraisals.

The *short term* segment of the portfolio had previously been used pending the purchase of other assets although about 2% of the portfolio was held in short term as a matter of policy. As noted earlier the short term investments represented 19% of the portfolio at the end of 1981 as a result of delaying further equity purchases and a reluctance to enter the bond market in any major way because of interest rate fluctuations and the state of the economy.

## ADMINISTRATIVE EXPENSES

The administration of OMERS includes the basic plan, prior service agreements, supplementary benefit agreements, managed plans and the investment program.

The direct costs associated with the investment program have increased significantly in each of the last four years paralleling the growth of the assets under management. Certain costs, such as commissions paid on the purchase and sale of common stocks and bonds are added to the purchase price of the asset or deducted from the sale price of the investment. Servicing fees for mortgage investments and fees for

funds managed on behalf of the Board and custodian and banking costs are deducted from the income derived from these investments. Since the bulk of the investments are made by the staff of the Board, administrative expenses for the investment program comprise staff compensation, office accommodation and equipment, computer facilities, audit and legal services, communication and normal office costs.

The Board established an expense guideline for the investment program of 1/10 of 1% (0.1%) of the year end portfolio of investments at cost. A four year summary of investment administrative expenses within the guideline is as follows:

(\$ Thousands)	1981	1980	1979	1978
Expenses	\$ 1,073	\$ 723	\$ 468	\$ 364
Year End Portfolio at Cost	\$1,776,764	\$1,215,409	\$758,997	\$328,598
Expenses as a Percentage of the Portfolio	0.06%	0.06%	0.06%	0.11%

The above table shows that in 1979, 1980 and 1981 the investment program administrative expenses were only 60% of the guideline amount. In 1978 the expenses exceeded the guideline indicating that there are efficiencies derived from administering a larger portfolio. The portfolio at cost at the end of 1981 is 5 times as large as it was at the end of 1978 whereas expenses were only 3 times as great.

This aspect of the operation of OMERS has rapidly grown into a major responsibility for the Board which weighs very carefully the cost/benefit relationship to investment expenses. Because of the long term financial rewards for superior portfolio management the Board wants to ensure that the needed management tools and expertise are available at reasonable cost.

The remainder of the administrative expenses are related to the pension program. The work load associated with the basic plan, supplementary benefits and managed plans is combined into the various administrative functions. The Board charges the supplementary benefit agreements and the managed plans an administration fee to ensure that the basic plan does not absorb any costs related to these other programs and also ensures that the administrative fee is competitive for the work performed.

The following table shows the pension program administrative expenses, the administrative fee re-

coveries and the cost per member for the last four years:

(\$ Thousands)	1981	1980	1979	1978
Expenses	\$2,399	\$2,133	\$1,809	\$1,564
Fee Recoveries	765	640	573	526
Net Expenses	<u>\$1,634</u>	<u>\$1,493</u>	<u>\$1,236</u>	<u>\$1,038</u>

Members (Active, Deferred, Pensioners)	147,673	142,552	138,051	134,076
Cost per Member	\$11.06	\$10.47	\$8.95	\$7.74
Percentage Increase over Prior Year	6%	17%	16%	24%

Since the commencement of OMERS in 1963, the Board has used, as an expense guideline, the assumption for administrative expenses adopted by the actuary for actuarial valuations. Except in the very early years of OMERS the pension program expenses have been well within this guideline which is 1% of basic plan member and employer contributions.

The following table compares the pension program net administrative expenses to the guideline adopted by the Board for the last ten years:

(\$ Thousands)	Net Expenses	Expense Guideline	Expenses as a Percentage of Guideline
1981	\$1,634	\$ 2,889	57%
1980	1,493	2,527	59
1979	1,236	2,236	55
1978	1,038	2,051	51
1977	766	1,406	55
1976	749	1,270	59
1975	692	1,065	65
1974	579	855	68
1973	371	726	51
1972	<u>372</u>	<u>628</u>	<u>59</u>
	<u>\$8,930</u>	<u>\$15,653</u>	<u>57%</u>

In the 10 year period ending in 1981, the actual pension program net expenses have been only 57% of the guideline of 1% of member and employer contributions and have contributed almost \$7 million to the actuarial position of the Fund without considering interest earned on these funds. The actual expenses have ranged from 51% to a high of 68%. In actual practice, the Board aims for pension program expenses to be about 60% of the guideline amount, similar to the investment program expenses when related to that guideline.



Details of actual administrative expenses are shown in the audited financial statements forming part of this report.

## ACTUARIAL VALUATION

The following table summarizes the results of the actuarial valuation of the Fund as at January 1, 1980 and January 1, 1981:

(\$ Thousands)	Valuation Results As At January 1	
	1981	1980
<b>ACTUARIAL LIABILITIES:</b>		
Present Value of:		
Pensions under Payment	\$ 354,339	\$ 278,921
Vested Deferred Benefits	13,997	12,611
Benefits for Present Contributors and their Survivors	1,530,230	1,291,444
	<u>\$1,898,566</u>	<u>\$1,582,976</u>
<b>ASSETS:</b>		
Fund Assets at January 1	<u>\$2,146,314</u>	<u>\$1,725,663</u>
<b>ACTUARIAL SURPLUS</b>	<u>\$ 247,748</u>	<u>\$ 142,687</u>

The above results are based on the revised actuarial assumptions and asset values noted earlier in this report.

The above valuations are based on an actuarial method called the "unit credit cost" method which is the minimum funding requirement under the Pension Benefits Act. The liabilities have been determined by calculating the present value of pensions under payment and vested deferred pensions and the present value of the pensions of present contributors based on credited service to the date of the valuation and earnings projected to the normal retirement age of the member.

Based on the above results the basic OMERS fund is "fully funded" in that sufficient funds are on hand to provide for all current liabilities should the Fund be wound-up as at the valuation date. In fact, the Fund was overfunded 9% as at January 1, 1980 and 13% as at January 1, 1981.

The Board has noted earlier in this report that a number of benefit improvements are under consideration and discussion with the Treasurer of Ontario. In addition, the various studies on pensions would suggest other changes to vesting and locking-in provisions. The Board is of the opinion that the proposed changes

and possible legislation changes can be made to OMERS without an increase in the current contribution rates of members and employers. However, the present surplus position of the Fund will not remain and the Fund could again revert to a deficiency position.

## MANAGED PLANS

The Board manages and administers, separately from OMERS, the pension plans of the following organizations:

Ryerson Polytechnical Institute  
Colleges of Applied Arts and Technology  
Elliot Lake Centre d'Elliot Lake  
Caucus Employees of the Legislature  
Guarantee Fund for certain utility employees

These plans are operated under separate agreements with the Board and all member records, books of account, financial reporting, bank accounts and other records are kept for each of the plans. The Board receives a management fee each year for this administration so there is no charge against the operation of OMERS. Due to a change in the status of the Elliot Lake Centre d'Elliot Lake, the Board discontinued the management agreement with the pension plan as at December 31, 1981.

## THE BOARD AND ITS ADVISORS

Three new Board members were appointed in January, 1981 — Mrs. Lenore McIntosh, a Registered Nurse with the Thunder Bay Home for the Aged, Mr. Patrick Burke, a firefighter with the City of Windsor and Mr. Malcolm Scott, the Mayor of the Township of Lake of Bays and a member of the council of the District Municipality of Muskoka.

In January, 1981, Mr. Bernardi and Mr. Schaefer, Board members, were appointed to the Investment Policy Committee of the Board and in December, 1981, Mr. Roberts, Chairman of the Board, was also appointed to this Committee. The Investment Policy Committee now comprises nine members, including the three Board members, two senior officers of OMERS and four outside investment specialists.

Mr. R. A. Field of The Wyatt Company continued as the actuary to the Board during 1981 and Mr. Field's services were increased during the year as a result of the changes to the actuarial assumptions, costings for

proposed benefit changes and advice and assistance in relation to various pension studies and their impact on OMERS. Mr. Purdy Crawford of Osler, Hoskin & Harcourt continued to provide legal services to the Board and these services have shown an increase in the last few years in relation to the investment program. Dr. R. G. McKenzie, the Board's medical advisor, examined all disability claims submitted by or on behalf of members during 1981. The firm of Coopers & Lybrand continued as auditors of the Fund for 1981.

The authorized complement of the staff of the Board in 1981 totalled 93, with 25 staff working in the investment and investment-accounting areas, 63 in the pension administration area and 5 in the management and policy development area. It would be remiss, however, not to recognize the major contribution to the administration of OMERS of the many employees of the 1,037 employers that participate in the System who undertake the day to day work on behalf of the members of the plan.

## CONCLUSION

1981 has been an important year for pension plans with the issuing of the Report of the Royal Commission on the Status of Pensions in Ontario and the formation of a Select Committee of the Legislature on Pensions to examine the Commission's recommendations. Many of the recommendations of the Royal Commission Report would dramatically change the present OMERS

plan. At the time of writing this report, the Select Committee tabled its findings before the Ontario Legislature. The Select Committee has not supported some of the major recommendations of the Royal Commission, but has proposed major changes to pension plans including OMERS.

The Board will continue to examine these proposals for changes to pension plans and will make their views known to the Treasurer of Ontario on behalf of the members and employers of OMERS to protect and improve the pension program for local government employees in Ontario.

The results of the Board's review and recommendations for benefit changes, which are currently under discussion with the Treasurer of Ontario, should soon be announced to the members and employers. As noted in this report, the financial condition of OMERS is excellent and changes and improvements can be made without increasing the present contribution levels.

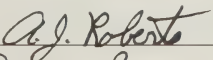
This report marks the completion of 19 years of operation for OMERS and the 15th year that the responsibility for the management and administration of the System has been vested in an appointed Board. There has seldom been a year without change and improvement and it would appear that the future will continue this experience. The Board will strive to ensure that OMERS is developed and operated in the best interests of the members and employers participating in the System.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

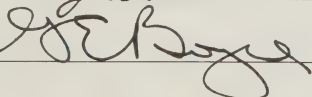
## Balance Sheet as at December 31, 1981

	<u>1981</u>	<u>1980</u>
<b>Assets</b>		
Investments (note 2)	\$3,069,789,424	\$2,508,434,126
Contributions receivable	31,515,892	26,911,722
Accounts receivable	414,209	365,585
Accrued income	25,361,885	18,019,599
Cash	<u>562,425</u>	<u>39,496</u>
	<u>\$3,127,643,835</u>	<u>\$2,553,770,528</u>
<b>Reserves and Liabilities</b>		
Reserves for:		
basic benefits (note 3)	\$2,604,124,711	\$2,118,690,655
prior service benefits (note 4)	4,713,573	4,928,629
supplementary benefits (note 4)	<u>176,538,630</u>	<u>153,088,496</u>
	\$2,785,376,914	\$2,276,707,780
Deposits from administered pension		
funds (note 5)	\$ 340,058,824	\$ 276,819,251
Accounts payable and accruals	2,172,792	215,083
Pension benefits payable	<u>35,305</u>	<u>28,414</u>
	<u>\$3,127,643,835</u>	<u>\$2,553,770,528</u>

Signed on behalf of the Board



Member



Member

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Statement of the Reserves

for the year ended December 31, 1981

	Basic Benefits Reserve	Prior Service Benefits Reserve	Supple- mentary Benefits Reserve	Total	1980
<b>Balance, beginning of the year</b>	\$2,118,690,655	\$4,928,629	\$153,088,496	\$2,276,707,780	\$1,859,346,859
<b>Increases in Reserves</b>					
Contributions of:					
• Members	144,467,134		2,898,265	147,365,399	129,057,850
• Employers	144,653,860	31,811	34,608,943	179,294,614	154,313,410
	289,120,994	31,811	37,507,208	326,660,013	283,371,260
Income earned from investments	269,926,233	235,197	14,317,537	284,478,967	214,786,128
Administrative expenditures recovered from:					
• Supplementary benefits reserve	375,096			375,096	298,364
• Administered pension funds (note 5)	389,763			389,763	341,841
	764,859			764,859	640,205
Transfer to basic benefits reserve from:					
• Prior service benefits reserve	476,946			476,946	385,668
• Supplementary benefits reserve	28,004,633			28,004,633	24,630,743
	28,481,579			28,481,579	25,016,411
Transfer to supplementary benefits reserve from:					
• Prior service benefits reserve			5,118	5,118	3,134
	588,293,665	267,008	51,829,863	640,390,536	523,817,138
<b>Decreases in Reserves</b>					
Members' pensions	45,127,586			45,127,586	35,480,296
Members' contributions plus interest refunded	21,675,832			21,675,832	17,822,159
Transfers to other pension plans	1,105,569			1,105,569	1,049,583
Income credited to administered pension funds (note 5)	31,478,573			31,478,573	23,930,492
Transfers to basic benefits reserve for:					
• Pension present value		469,568	27,672,186	28,141,754	24,230,665
• Members' contributions plus interest refunded		4,706	204,348	209,054	159,185
• Transfer to other pension plans		2,672	4,916	7,588	17,608
• Purchase waiting period			1,420	1,420	249,387
• Closing supplementary agreements			121,763	121,763	359,566
		476,946	28,004,633		
• Administrative expenditures			375,096	375,096	298,364
Transfer to supplementary benefits reserve for:					
• Closing prior service agreements		5,118		5,118	3,134
Administrative expenditures					
• Pensions	2,398,710			2,398,710	2,132,967
• Investments	1,073,339			1,073,339	722,811
	102,859,609	482,064	28,379,729	131,721,402	106,456,217
<b>Balance, end of the year</b>	<u>\$2,604,124,711</u>	<u>\$4,713,573</u>	<u>\$176,538,630</u>	<u>\$2,785,376,914</u>	<u>\$2,276,707,780</u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Schedule of Administrative Expenditures

### for the year ended December 31, 1981

	<u>1981</u>	<u>1980</u>
<b>Personal Services including Employee Benefits</b>		
Salaries of regular staff	\$ 1,762,195	\$ 1,394,269
Salaries of casual staff	47,454	61,442
Pensions	130,343	104,676
Unemployment insurance	25,991	15,278
Workmen's compensation	2,513	1,690
Hospital and medical insurance	65,137	56,039
Term-life insurance	13,020	11,100
Long-term disability insurance	13,183	12,460
	<u>\$2,059,836</u>	<u>\$1,656,954</u>
<b>Transportation and Communication</b>		
Travel expenses, including overtime meal allowances	\$ 59,486	\$ 49,435
Telephone	89,312	69,553
Postage and express	54,721	54,330
	<u>\$ 203,519</u>	<u>\$ 173,318</u>
<b>Purchases of Service</b>		
Actuarial services	\$ 89,100	\$ 44,385
Audit services	27,014	38,550
Medical services	20,440	21,705
Legal services	68,052	46,513
Other professional services	46,537	57,641
Recruitment and training of employees	26,576	11,922
Rental of offices	332,700	224,703
Computer processing	200,810	209,888
Maintenance and repair of equipment	7,183	7,002
Electricity	10,635	7,823
Insurance	3,183	2,313
Board's services	94,094	75,733
Research and information	45,843	35,060
	<u>\$ 972,167</u>	<u>\$ 783,238</u>
<b>Materials and Supplies</b>		
Furniture and equipment purchases	\$ 50,244	\$ 43,897
Supplies and stationery	103,123	98,076
Publications for members and employers	55,210	94,664
Alterations to offices	27,950	5,631
	<u>\$ 236,527</u>	<u>\$ 242,268</u>
<b>Total Expenditures</b>	<u>\$3,472,049</u>	<u>\$2,855,778</u>
<b>Distribution</b>		
— Pensions	\$2,398,710	\$2,132,967
— Investments	1,073,339	722,811
	<u>\$3,472,049</u>	<u>\$2,855,778</u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements for the year ended December 31, 1981

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Investments*

Investments are recorded in the accounts at cost. Gains or losses on their disposal are credited or charged to income. Income from investments is recorded on the accrual basis.

#### *Contributions*

Member and employer contributions received subsequent to the year-end, but which are applicable to the current year, are recorded as receivables.

#### *Benefits*

Payments for benefits are recorded in the year in which such payments are made.

### 2. INVESTMENTS

The following is a description of the investments:

- (a) Province of Ontario debentures issued under section 7(3) of the Ontario Municipal Employees Retirement System Act.

<u>Date of Maturity</u>	<u>Weighted Average Interest Rate</u>	<u>Cost</u>
December 31, 1993	8.06%	\$ 129,500,000
December 31, 1994	9.50%	148,825,000
December 31, 1995	9.70%	182,250,000
December 31, 1996	6.00%	20,100,000
December 31, 1997	6.30%	24,900,000
December 31, 1998	7.21%	33,100,000
December 31, 1999	8.19%	46,700,000
December 31, 2000	9.10%	57,600,000
December 31, 2001	7.85%	75,000,000
December 31, 2002	9.50%	265,800,000
December 31, 2003	9.45%	187,950,000
December 31, 2006	9.77%	121,300,000
		<u>\$1,293,025,000</u>

The weighted average interest rate on the total investment in Ontario debentures is 9.07%.

Market value for the Ontario debentures has not been determined as these debentures have no quoted market value. The values stated remain unchanged from those reported at December 31, 1980.



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements for the year ended December 31, 1981

### 2. INVESTMENTS (continued)

(b) Investments commencing September 30, 1975 under section 7(3b) of the Ontario Municipal Employees Retirement System Act which are subject to the limitations of the Pension Benefits Act.

	1981		1980	
	Market Value	Cost	Market Value	Cost
Bonds and Debentures	\$ 404,959,349	\$ 497,435,437	\$ 313,334,816	\$ 357,157,240
Mortgages	382,673,309	483,134,007	323,980,523	407,092,511
Equities	413,897,909	370,356,472	445,760,443	342,336,224
Real Estate	80,342,322	66,253,799	36,772,734	30,967,034
Short Term Deposits	340,246,134	340,246,134	77,856,117	77,856,117
Venture Capital	19,338,575	19,338,575	—	—
	<u>\$1,641,457,598</u>	<u>\$1,776,764,424</u>	<u>\$1,197,704,633</u>	<u>\$1,215,409,126</u>

Market value is quoted value for bonds, debentures and equities.

Market value for mortgages is computed based on market yields.

Market value for real estate is appraised value as provided by our property managers.

(c) Total investments at cost \$3,069,789,424 \$2,508,434,126

### 3. BASIC BENEFITS RESERVE

The basic benefits reserve is maintained for the payment of pensions to retired members or their beneficiaries and the future payment of pensions and benefits to contributing members and to terminated members who have elected a deferred pension.

The latest actuarial valuation of the Fund dated January 1, 1981 determined the total actuarial liabilities of the Fund for basic benefits to be \$1,898,566,000 using the unit credit cost method. The adjusted book value of accumulated assets at that date was \$2,146,314,000 resulting in an actuarial surplus of \$247,748,000.

The results of the valuation projected to December 31, 1981 indicate that the existing levels of member and employer contributions are sufficient to meet the cost of benefits earned to December 31, 1981.

During the year, following a comprehensive study of the Fund's actuarial assumptions, the Board approved various changes in the assumptions used. The changes reflect the best estimates of future trends and valuation assumptions.

The most significant changes were:

- (a) an increase in the interest rate used for valuation purposes from 6% per annum to 8% per annum;
- (b) an increase in the salary scale used for valuation purposes from 5% per annum to 8% per annum; and

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements for the year ended December 31, 1981

- (c) the year's maximum pensionable earnings to be projected at the rate of 12½% per annum through 1985 and at the rate of 6% per annum thereafter instead of the 4% per annum used previously.

The actuarial deficiency as at January 1, 1980 of \$15,111,000 as reported on the 1980 financial statements would have translated to an actuarial surplus of \$135,787,000 under the revised assumptions.

The changes in the actuarial assumptions have been approved by the Pension Commission of Ontario.

### 4. PRIOR SERVICE AND SUPPLEMENTARY BENEFITS RESERVES

Under the terms of the Ontario Municipal Employees Retirement System Act various participating employers have entered into agreements with the Board for the provision of prior service and/or supplementary benefits. The prior service and supplementary reserves represent the net assets available for payment of benefits under the agreements. Each employer is responsible, individually, for the funding of such benefits.

### 5. ADMINISTERED PENSION FUNDS

The administered pension funds (which form part of the Fund and which are administered on behalf of the Ontario Council of Regents for Colleges of Applied Arts and Technology, the Ryerson Polytechnical Institute, the Elliot Lake Centre d'Elliot Lake, the members of the Legislative Assembly as represented by the Board of Internal Economy [The Caucus Employees Retirement Fund] and the Minister of Energy for the Province of Ontario [The Ontario Hydro Guarantee Fund]) are credited with amounts which are equal to the income earned by the Fund from the investment of the monies deposited in the Fund by the administered pension funds. The Ontario Municipal Employees Retirement Board is authorized under the terms of the various management agreements to recover its expenses for administering the aforementioned plans.

The employees of the Elliot Lake Centre d'Elliot Lake have been transferred to a new employer, the Canadian Institute for Radiation Safety. Consequently, by Order-In-Council OC-3560/81, dated December 17, 1981, the Ontario Municipal Employees Retirement Board was relieved of its duties as Trustee of the Elliot Lake Plan.

The reserve in the Elliot Lake Pension Fund at December 31, 1981, of \$237,701 plus interest will be transferred early in 1982 to the Guarantee Trust which is the Trustee of the pension plan for employees of the Canadian Institute for Radiation Safety.

### 6. COMMITMENTS

Total commitments outstanding at December 31, 1981 amounted to approximately \$215,000,000, of which \$171,000,000 relates to mortgages, \$5,000,000 to bonds, \$14,000,000 to real estate, \$16,000,000 to term lending and the remaining \$9,000,000 to venture capital.

The administration of the Fund is conducted on leased premises and the Fund has entered into a lease agreement which involves a minimum annual base rental of \$251,224 to January 31, 1986. Additional space has been leased with an annual base rental of \$31,920 to January 1, 1986.

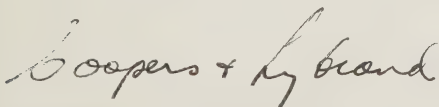


March 26, 1982

AUDITORS' REPORT TO THE  
ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

We have examined the balance sheet of the Ontario Municipal Employees Retirement Fund as at December 31, 1981 and the statement of the reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1981 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A stylized, handwritten signature in dark ink that reads "Coopers & Lybrand". The script is fluid and cursive, with the ampersand being particularly prominent.

CHARTERED ACCOUNTANTS

BOSTON  
CHICAGO  
CLEVELAND  
DALLAS  
DETROIT  
FORT WORTH  
HONOLULU  
HOUSTON  
LOS ANGELES  
MEMPHIS  
MIAMI  
MINNEAPOLIS  
ST. PAUL  
NEW YORK

THE *Wyatt* COMPANY

ACTUARIES-EMPLOYEE BENEFIT CONSULTANTS-RISK MANAGEMENT CONSULTANTS  
INTERNATIONAL BENEFITS-EMPLOYEE COMMUNICATIONS  
141 ADELAIDE STREET WEST  
TORONTO, ONTARIO M5H 3L5  
(416) 862-0393

ORLANDO  
PHILADELPHIA  
PHOENIX  
PORTLAND  
SAN DIEGO  
SAN FRANCISCO  
STAMFORD  
WASHINGTON  
—  
CALGARY  
HALIFAX  
MONTREAL  
OTTAWA  
TORONTO  
VANCOUVER

Actuarial Certificate at December 31, 1981

Ontario Municipal Employees Retirement Fund

The most recent actuarial valuation of the above Plan was conducted at January 1, 1981 using the unit credit cost method.

The results of the valuation disclosed total actuarial liabilities of \$1,898.566 million in respect of benefits accrued for service to January 1, 1981. The adjusted book value of accumulated assets at that date was \$2,146.314 million indicating an actuarial surplus of \$247.748 million.

The results of the valuation at January 1, 1981 also indicated that the existing levels of employee and employer contributions are sufficient to meet the cost of benefits to be earned each calendar year until the next actuarial valuation is made.

We are of the opinion, therefore, that the assets of the Fund at December 31, 1981 are sufficient to meet all the liabilities of the Plan in respect of services rendered by members up to that date.

Respectfully submitted

THE WYATT COMPANY

*R. Alvin Field*

March 30, 1982

R. Alvin Field, F.S.A.  
Fellow, Canadian Institute of Actuaries

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## 5 Year Review of Financial Data – 1977 to 1981

(\$ Thousands)	1981	1980	1979	1978	1977
*Investments at Cost					
Provincial Debentures	\$1,293,025	\$1,293,025	\$1,293,025	\$1,293,025	\$1,171,725
Marketable Securities	1,776,764	1,215,409	758,997	328,598	158,107
	<u>\$3,069,789</u>	<u>\$2,508,434</u>	<u>\$2,052,022</u>	<u>\$1,621,623</u>	<u>\$1,329,832</u>
*Reserve for Basic Benefits	\$2,604,125	\$2,118,691	\$1,718,763	\$1,377,027	\$1,078,781
Funds Held for:					
Prior Service					
Agreement Reserve	4,714	4,929	5,040	7,987	8,002
Supplementary Benefit					
Agreement Reserve	176,539	153,088	135,544	129,017	118,712
Managed Plans	340,059	276,819	226,768	182,805	145,851
	<u>\$3,125,437</u>	<u>\$2,553,527</u>	<u>\$2,086,115</u>	<u>\$1,696,836</u>	<u>\$1,351,346</u>
Investment Income Earned					
Basic Plan	\$238,447	\$177,907	\$137,381	\$108,423	\$ 84,268
Prior Service Agreements	235	246	95	410	427
Supplementary Benefit Agreements	14,318	12,703	11,613	10,997	8,947
Managed Plans	31,479	23,930	19,202	15,007	11,907
	<u>\$284,479</u>	<u>\$214,786</u>	<u>\$168,291</u>	<u>\$134,837</u>	<u>\$105,549</u>
Contributions Received for:					
Basic Plan	\$289,121	\$253,571	\$226,440	\$206,470	\$141,075
Prior Service Agreements	32	32	32	32	348
Supplementary Benefit Agreements	37,507	29,768	27,836	25,593	32,436
	<u>\$326,660</u>	<u>\$283,371</u>	<u>\$254,308</u>	<u>\$232,095</u>	<u>\$173,859</u>
Payments to Members					
Pensions Paid	\$ 45,128	\$ 35,480	\$ 28,303	\$ 21,649	\$ 16,660
Contributions and Interest Refunded	21,676	17,822	27,142	19,515	8,433
Transfers to Other Plans	1,106	1,050	653	566	647
	<u>\$ 67,910</u>	<u>\$ 54,352</u>	<u>\$ 56,098</u>	<u>\$ 41,730</u>	<u>\$ 25,740</u>
Administrative Expenditures and Recoveries					
Pension Program					
Gross	\$ 2,399	\$ 2,133	\$ 1,809	\$ 1,564	\$ 1,330
Fee Recoveries	765	640	573	526	564
Net	\$ 1,634	\$ 1,493	\$ 1,236	\$ 1,038	\$ 766
Investment Program	1,073	723	468	364	209
	<u>\$ 2,707</u>	<u>\$ 2,216</u>	<u>\$ 1,704</u>	<u>\$ 1,402</u>	<u>\$ 975</u>
Average Yield on Investments					
Provincial Debentures	9.07%	9.07%	9.07%	9.07%	8.93%
Marketable Securities	12.09%	10.71%	10.88%	10.47%	10.50%
Total Portfolio	10.63%	9.74%	9.55%	9.25%	9.10%
Pension Program Net Expenditure as a % of Basic Plan Contributions	0.57%	0.59%	0.55%	0.50%	0.54%

\*the amount shown for each year as at December 31 is cumulative

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## 5 Year Review of Selected Data — 1977 to 1981

	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>	<u>1977</u>
*Employers					
Municipalities	489	487	473	465	459
School Boards	126	122	123	123	122
Other Local Boards	<u>422</u>	<u>418</u>	<u>419</u>	<u>405</u>	<u>399</u>
	<u>1,037</u>	<u>1,027</u>	<u>1,015</u>	<u>993</u>	<u>980</u>
*Members Contributing, Employed by					
Municipalities	63,280	61,875	60,757	59,691	54,031
School Boards	30,828	30,033	29,619	29,428	27,529
Other Local Boards	<u>28,929</u>	<u>27,823</u>	<u>27,110</u>	<u>26,496</u>	<u>24,470</u>
	<u>123,037</u>	<u>119,731</u>	<u>117,486</u>	<u>115,615</u>	<u>106,030</u>
*Members Contributing					
Female	44,827	42,743	41,224	40,119	35,420
Male	<u>78,210</u>	<u>76,988</u>	<u>76,262</u>	<u>75,496</u>	<u>70,610</u>
	<u>123,037</u>	<u>119,731</u>	<u>117,486</u>	<u>115,615</u>	<u>106,030</u>
*Normal Retirement Age 65	106,314	103,420	101,872	100,377	91,771
*Normal Retirement Age 60	<u>16,723</u>	<u>16,311</u>	<u>15,614</u>	<u>15,238</u>	<u>14,259</u>
	<u>123,037</u>	<u>119,731</u>	<u>117,486</u>	<u>115,615</u>	<u>106,030</u>
*Terminated Members Who Have Elected a Deferred Pension	<u>3,326</u>	<u>3,551</u>	<u>3,320</u>	<u>3,464</u>	<u>3,859</u>
*Number of Pensioners by Type of Pension					
Normal Retirement	12,540	11,558	10,550	9,415	8,456
Early Retirement	2,886	2,451	1,986	1,560	1,260
Disability Retirement	1,379	1,232	1,078	870	719
Spouses and Children	<u>4,505</u>	<u>4,029</u>	<u>3,631</u>	<u>3,152</u>	<u>2,725</u>
	<u>21,310</u>	<u>19,270</u>	<u>17,245</u>	<u>14,997</u>	<u>13,160</u>
*Total Membership Comprising Contributing Members, Deferred Pensions and Pensioners	<u>147,673</u>	<u>142,552</u>	<u>138,051</u>	<u>134,076</u>	<u>123,049</u>
Number of Members Enrolled Each Year	14,475	13,914	13,168	19,023	12,480
Number of Members Terminated Each Year	<u>11,169</u>	<u>11,669</u>	<u>11,297</u>	<u>9,438</u>	<u>8,882</u>
Net Increase in Membership	<u>3,306</u>	<u>2,245</u>	<u>1,871</u>	<u>9,585</u>	<u>3,598</u>

\*Cumulative totals at year end

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Historical Highlights

**1962** — An Act establishing the Ontario Municipal Employees Retirement System was given Royal Assent on April 18th.

**1963** — The first members of the System were enrolled on January 1st and the first contributions received one month later.

**1965** — Amendments were made for the "locking-in" of contributions as required under the Pension Benefits Act.

After July 1, 1965 all persons engaged by a municipality or local board must participate in OMERS to receive pension benefits.

Provision was made for OMERS to manage and administer other pension plans.

**1966** — The contributions and benefits were integrated with the contributions and benefits of the Canada Pension Plan.

Employees of electric utilities became members of OMERS for the first time.

**1967** — The supplementary benefit program was introduced.

**1968** — The eleven member Board was appointed by the Lieutenant Governor in Council on January 1.

The interest rate on the special Provincial debentures issued to OMERS at each year end was increased from 5% to 6½%.

The benefit formula was increased 10% from 2% of career earnings to 2.2% of career earnings.

**1969** — A disabled widower was extended the same benefits as a widow on the death of a member.

**1970** — The interest rate on the special Provincial debentures issued to the Board at each year end was changed from 6½% to the average borrowing costs of the Province during a year.

All basic pension benefits earned or payable on December 31, 1970 were increased by 10%.

**1971** — All basic pension benefits earned or payable at December 31, 1971 were increased by 5%.

In addition to the 50% widows' and disabled widowers' pensions payable on the death of a member, a further pension of 10% for each child of the deceased member to a maximum of 25% was introduced.

**1972** — Councillors became eligible for membership in the System.

All basic pension benefits earned or payable on December 31, 1972 were increased by 5%.

**1973** — An employer could improve the pensions being paid to retired employees through the System.

Rates of interest on special Provincial debentures issued to the Board during the years 1963 to 1969 were retroactively adjusted.

All basic pension benefits earned or payable at December 31, 1973 were increased by 5%.

**1974** — A portion of available funds could be invested in marketable securities under the provisions of the Pension Benefits Act commencing in 1975.

**1975** — All basic pension benefits earned by active and deferred members as at December 31, 1975 were increased by 10%.

All pensions being paid to retired members on December 31, 1975 were increased by 10%.

A widower of a member became entitled to the same 50% pension as a widow on the death of a member.

**1976** — Optional service, being service with another governmental employer or war service, was added to the supplementary benefit program.

**1978** — Pension formula changed from 2.2% career average earnings basis to a 2% final average earnings basis.

All pensions being paid to retired members on December 31, 1977 were increased by 3% from March 1, 1978.

**1980** — All pensions being paid to retired members on January 1, 1979 were increased by 4% from January 1, 1981.

**1981** — Spousal benefits no longer cease on remarriage and the reduction in the spouse pension when the spouse is more than 10 years younger than spouse was eliminated.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Benefits

### Basic Benefits

**Normal retirement** at age 65 — except policemen and firemen who may retire at age 60.

The annual **normal retirement pension** payable to a member is 2% of pensionable earnings multiplied by years of credited service, reduced when the member becomes entitled to a pension under the Canada Pension Plan. In this formula:

"pensionable earnings" means the annual average of the 60 highest consecutive months of earnings;

"credited service" means continuous service when contributions have been made;

"CPP reduction" means 0.7% of the annual average of the Year's Maximum Pensionable Earnings under the CPP in the year of retirement and the two preceding years times credited service since January 1, 1966.

A **total disability retirement benefit** for a disability that, in the first two years, renders a member incapable of performing the duties of his or her position and thereafter of any substantially gainful employment. The totally disabled member may continue to accrue credited service without contribution until normal retirement age or may elect a disability pension.

A **pension to a widow or widower** of one-half the member's pension plus 10% for each child under 21 years of age to a maximum of 25% and, where there is no widow or widower, a pension of one-half the member's pension to the child or children of the member under 21 years of age.

A **deferred pension**, payable at normal retirement age, if a member ceases to be employed before his normal retirement date. The pension benefits earned by a member under the System vest immediately in the member.

An **early retirement pension**, commencing within the 10 year period before normal retirement age, which is the actuarial equivalent of the normal retirement pension.

A **refund** of the contributions of a member plus interest if the member terminates his employment, except if at termination the member has ten years of continuous service with the employer and is over 45 years of age, then his contributions made after January 1, 1965 may not be refunded.

**Portability** of the pension if a member transfers employment from one participating employer to another within 6 months or to other governmental pension plans under special reciprocal transfer agreements.

**Supplementary Benefits** (provided by an agreement between a participating employer and OMERS)

**Type I** — Final Average Earnings, Past Service Pension

The Type I provides a benefit based on 2% of final average earnings and service before employer participation in OMERS. Any pension earned under a prior service agreement or approved pension plan during this period of past service is deducted.

**Type II** — Current Average Earnings, Past Service Pension

The Type II provides a benefit based on 2% of current average annual earnings and service before employer participation in OMERS. Any pension earned under a prior service agreement or approved pension plan during this period of past service is deducted.

**Type III** — Unreduced Early Retirement Pension

Normally, if a member retires early (within 10 years of normal retirement date) the pension benefit payable under a Type I or II supplementary benefit and the Basic Plan is actuarially reduced. The Type III benefit provides for payment of the amount of this reduction if a member retires within 10 years of normal retirement date under the following conditions:

(a) completion of 30 or more years of continuous service with the employer, or

(b) retirement due to permanent partial disability as determined by the employer.

**Optional Service** — The service of a member with another governmental employer or war service may be added to a Type I or Type II benefit and the member must contribute on a formula basis to be entitled to this service. This service becomes additional past service of the member.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Summary of Marketable Securities

### as at December 31, 1981

(\$ Thousands)

	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
<b>Mortgages</b>				
Residential (NHA Insured)				
— Single Family	\$ 21,966	1.3%	12.10%	\$ 20,569
— Condominium	4,801	0.3	11.65	4,465
— Rental	315,266	17.8	10.91	233,221
— Non-profit	58,741	3.3	15.05	53,310
Residential (Privately Insured)				
— Rental	9,257	0.5	10.58	7,566
Commercial (Uninsured)				
— Shopping Centres	16,300	0.9	11.45	11,142
— Office Buildings	39,782	2.2	12.63	36,234
— Hotel	14,870	0.8	15.88	14,558
— Retail	2,151	0.1	10.37	1,608
<b>Total Mortgages</b>	<u>\$483,134</u>	<u>27.2%</u>	<u>11.78%</u>	<u>\$382,673</u>
<b>Bonds</b>				
Government — Canada	\$103,025	5.8%	10.95%	\$ 81,162
— Provincial	196,181	11.0	12.36	156,150
— Municipal	24,271	1.4	10.72	16,513
Corporate	145,325	8.2	13.37	122,502
Term Loans	28,633	1.6	16.74	28,633
<b>Total Bonds</b>	<u>\$497,435</u>	<u>28.0%</u>	<u>12.57%</u>	<u>\$404,960</u>
<b>Equities</b>				
Canada — Individual Stocks				
— Metals and Minerals	\$ 25,146	1.4%	5.77%	\$ 24,753
— Oil and Gas	14,949	0.9	2.24	19,337
— Paper and Forest Products	3,242	0.2	4.66	2,573
— Consumer Products	26,692	1.5	4.63	33,669
— Industrial Products	25,307	1.4	5.81	26,073
— Transportation	7,496	0.4	5.18	8,563
— Pipelines	13,837	0.8	4.51	13,011
— Utilities	6,709	0.4	9.64	6,353
— Communications and Media	5,299	0.3	5.23	5,929
— Merchandising	2,553	0.1	4.70	2,100
— Financial Services	39,595	2.2	7.82	45,256
— Management Companies	5,559	0.3	6.65	6,144
Canada — Mutual Funds	12,614	0.7	3.05	18,759
<b>Total Canadian Equities</b>	<u>\$188,998</u>	<u>10.6%</u>	<u>5.58%</u>	<u>\$212,520</u>



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Summary of Marketable Securities as at December 31, 1981

(\$ Thousands)

	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
<b>Equities (continued)</b>				
Non-Canadian (Canadian \$)				
United States				
— Individual Stocks				
— Machinery	\$ 3,189	0.2%	6.54%	\$ 2,821
— Metals and Minerals	3,324	0.2	7.59	4,101
— Diversified	6,113	0.3	4.25	9,624
— Office Equipment	4,699	0.3	5.64	4,383
— Oil — International	9,763	0.6	6.81	8,827
— Domestic	4,379	0.2	5.67	5,669
— Oil Well Equipment	2,599	0.2	1.28	2,318
— Drugs	5,701	0.3	5.74	6,793
— Electric Appliances	3,993	0.2	3.92	3,116
— Auto Parts	3,746	0.2	6.84	4,750
— Cosmetics	6,935	0.4	7.01	8,595
— Food	6,839	0.4	7.49	7,843
— Photography	8,657	0.5	5.46	9,163
— Retailing	3,314	0.2	4.83	4,847
— Tobacco	4,157	0.2	8.46	5,922
— Airlines	2,452	0.1	0.60	1,456
— Miscellaneous	4,272	0.2	8.70	4,807
— Utilities and Power	11,911	0.7	9.89	11,414
— Mutual Funds	49,968	2.8	2.71	57,715
Pacific — Mutual Funds	4,280	0.2	0.10	6,536
— Managed Fund	25,966	1.5		26,702
Europe — Managed Fund	5,101	0.3	0.04	3,976
Total Non-Canadian Equities	<u>\$ 181,358</u>	<u>10.2%</u>	<u>4.11%</u>	<u>\$ 201,378</u>
Total Equities	<u>\$ 370,356</u>	<u>20.8%</u>	<u>4.88%</u>	<u>\$ 413,898</u>
<b>Real Estate</b>	<u>\$ 66,254</u>	<u>3.7%</u>	<u>10.23%</u>	<u>\$ 80,342</u>
<b>Venture Capital</b>	<u>\$ 19,339</u>	<u>1.1%</u>	<u>—</u>	<u>\$ 19,339</u>
<b>Short Term</b>	<u>\$ 340,246</u>	<u>19.2%</u>	<u>15.25%</u>	<u>\$ 340,246</u>
<b>Total</b>	<u><u>\$1,776,764</u></u>	<u><u>100.0%</u></u>	<u><u>11.30%</u></u>	<u><u>\$1,641,458</u></u>

**\*Estimated Market Values**

Mortgages: Computed on current market yields

Bonds: Quoted values

Equities: Quoted values

Real Estate: Appraised values







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# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

## 1982 ANNUAL REPORT





**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD**

**1982 ANNUAL REPORT**





**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD**  
2 BLOOR STREET WEST (27TH FLOOR), TORONTO, ONTARIO M4W 3E2, (416) 967-0637

April 14, 1983

The Honourable Frank S. Miller  
Treasurer of Ontario and  
Minister of Economics  
Frost Building South  
Queen's Park  
Toronto, Ontario  
M7A 1Y7

Dear Mr. Miller:

It is my pleasure to present to you the Annual Report of the Ontario Municipal Employees Retirement Board for the year ended December 31, 1982 in accordance with subsection 4(8) of the Ontario Municipal Employees Retirement System Act.

This year marks the twentieth anniversary of the operation of the System and as indicated in the accompanying report, OMERS continues to show growth and development. The System now has over 126,000 contributing members employed by 1,042 participating employers and is paying over 23,000 pensions each month to retired members or their beneficiaries. The portfolio of invested assets at book value at the end of 1982 was almost three and three-quarters billion dollars.

Significant benefit changes were approved in 1982 and became law early in 1983. These included improved early retirement benefits and portability of past service benefits and also major changes were made to simplify the administration of the supplementary benefit program. Pensions under payment were increased 4% on July 1, 1982 and using the principle of "excess interest", the Board will be in a position to recommend regular annual increases in the future depending on the level of investment returns each year.

I would like to thank you, on behalf of the members of the Board, for your support and guidance during 1982, which was much appreciated. The members of the Board also appreciate the opportunity of managing and administering the retirement program of employees of local government units in Ontario.

The accompanying report is respectfully submitted to you.

Yours truly,

A handwritten signature in dark ink, appearing to read 'Grant E. Boyce', is written over a horizontal line.

Grant E. Boyce  
Chairman of the Board

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# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

as at December 31, 1982



Mr. A. J. Roberts, Chairman  
Consumer Relations  
Representative  
St. Catharines Hyrdo  
Electric Commission



Mr. G. E. Boyce, Vice-Chairman  
Superintendent  
Business Administration  
Sudbury Board of Education



Mr. C. R. Bernardi  
Immediate Past Chairman  
Director of Personnel  
and Labour Relations  
City of Sault Ste. Marie



Mr. R. F. Bevan, Past Chairman  
Superintendent  
Niagara Regional Police Force



Mr. G. McIntyre  
Assistant Deputy Minister  
Ministry of Treasury  
and Economics



Mr. P. R. Burke  
Firefighter  
City of Windsor



Mr. D. C. Schaefer  
Commissioner of Finance  
City of Waterloo



Mr. S. P. Dobbin  
Stationary Engineer  
Toronto Board of Education



Mr. M. Scott  
Mayor  
Township of Lake of Bays



Mrs. L. McIntosh  
Registered Nurse  
Thunder Bay Home for the Aged



Mrs. E. Stewart  
Mayor  
City of Gloucester  
(resigned November 30, 1982)

**INVESTMENT POLICY COMMITTEE OF THE BOARD  
as at December 31, 1982**

Mr. R. M. MacIntosh, Chairman  
Canadian Bankers' Association

Mr. J. C. C. Wansbrough  
National Trust Company Limited

Mr. H. M. Cunningham  
Cockfield, Cooper, Cunningham  
Investment Counsel Inc.

Mr. N. J. Short  
Guardian Capital Group Limited

Mr. C. R. Bernardi  
Member of the Board

Mr. A. J. Roberts  
Member of the Board

Mr. D. C. Schaefer  
Member of the Board

Mr. A. W. Reeve  
Executive Director

Mr. D. A. Beggs  
Director of Investments

**ADVISORS TO THE BOARD**

Mr. R. A. Field, F.C.I.A.  
The Wyatt Company  
Actuary

Mr. R. G. MacKenzie, M.D.  
Medical Advisor

Mr. Purdy Crawford, Q.C.  
Osler, Hoskin & Harcourt  
Legal Advisor

Coopers & Lybrand  
Auditors

**SENIOR STAFF**

Mr. A. W. Reeve  
Executive Director

Mr. D. A. Beggs  
Director of Investments

Mr. G. A. Tyson  
Director of Pension  
Administration

Mr. D. W. Barron  
Special Assistant to  
the Executive Director

**COMPOSITION OF THE BOARD**

**Employee Representatives:**

Mr. R. F. Bevan, Mr. P. R. Burke, Mr. S. P. Dobbin, Mrs. L. McIntosh, Mr. A. J. Roberts.

**Three Employee Representatives who are "officers" of an employer:**

Mr. C. R. Bernardi, Mr. G. E. Boyce, Mr. D. C. Schaefer.

**Two Elected Representatives:**

Mr. M. Scott, Mrs. E. Stewart (resigned November 30, 1982).

**One Provincial Official:**

Mr. G. McIntyre.



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

## 1982 Annual Report

### INTRODUCTION

The first members of OMERS were enrolled on January 1, 1963 and this 1982 Annual Report marks the completion of twenty years of operation for the System.

The report outlines the 1982 activities of the Board in the management and administration of the System and includes the audited financial statements of the Fund as at December 31, 1982. The report also provides information on the Board's responsibilities, the pension programs under administration, major activities during 1982, pension administration activities, investment program activities, administrative expenses, the latest actuarial valuation and other plans managed by the Board. Schedules included in the report provide a five year history of financial and membership data, a summary of historical highlights, a brief summary of the pension benefits and details of investments in capital market securities and special non-marketable Provincial debentures.

### BOARD RESPONSIBILITIES

The Ontario Municipal Employees Retirement Board is responsible for the management and administration of the System. These responsibilities include organization and staffing, the receipt and investment of funds, the calculation and payment of benefits, the employer administration function, the enrolment of members, the maintenance of individual member records, communication with members and employers, financial reporting and reviewing actuarial valuations of the Fund.

The Board also undertakes research and studies in benefit development and other current pension matters and makes recommendations for changes to the OMERS Act and regulations.

The Board is comprised of eleven members who are appointed by the Lieutenant Governor in Council to three year terms with about one-third of the membership completing their term each year. As of December 31, 1982, the eleven member Board is comprised of eight employees of local government, two elected officials of local government and one Provincial civil servant.

### THE PENSION PROGRAM

The OMERS pension program divides into four main parts:

- (i) the basic OMERS plan under which each of the participating employers and each of the members contribute at uniform rates and each of the members receives pension benefits based on the same formula;
- (ii) the supplementary benefit program which establishes pension benefits for the service of a member prior to participation in the basic OMERS plan, as well as special early retirement pensions or optional service entitlements, and these benefits are provided by individual employers for all or groups of employees under an agreement with the Board;
- (iii) prior service agreements, which absorbed pension plans in existence prior to the establishment of OMERS;
- (iv) a scheme whereby individual employers may increase the pensions being paid to retired former employees or their beneficiaries.

The Board is also authorized to manage and administer other governmental pension plans separate and distinct from OMERS. Under separate agreements, the Board manages the pension plans of Ryerson Polytechnical Institute, the Colleges of Applied Arts and Technology, the Caucus Employees of the Legislature and a special plan providing pension guarantees related to the restructuring of local electric utilities. These pension plans are referred to as "managed plans" throughout this report.

### MAJOR ACTIVITIES — 1982

There were no changes to the Ontario Municipal Employees Retirement System Act during 1982 and only one amendment to the regulations made under the Act.

The amendment to the regulations provided a 4% increase to pensions under payment on December 1, 1981 and the increase was paid with the monthly pension

for July 1, 1982. In announcing this increase to the pensioners, the Board indicated the intention to have similar increases each year in the future. While these increases will require yearly amendments to the regulations to become effective, the basis for the increase is to be the "excess interest" method. Under this method, the actuarial valuation of the Fund uses a specific interest rate (base rate) to determine the capital cost of a pension liability and the difference between this base rate and the actual earnings rate of the Fund forms the basis for the annual percentage increase in pensions under payment.

In June, 1982 the Board, following a year of study, announced improvements to the early retirement pensions and significant changes proposed to the operation and administration of the supplementary benefit program. These improvements and changes were discussed with the Treasurer of Ontario and agreement was reached to proceed with the necessary amendments to the regulations made under the Act. While it was hoped to have these amendments in place before the end of 1982, unforeseen delays resulted in the regulations amendment not being made until January, 1983.

Details of these changes were summarized in the November, 1982 issue of "OMERS Update", an information bulletin issued to employers and members three times a year. Therefore, the following is a brief description of the changes incorporated in the regulations amendments as well as other minor changes for clarity or administrative purposes.

- an early retirement pension, based on the credited service of a member in the System plus any pension provided under a prior service or supplementary benefit agreement, is payable without reduction if, within the ten year period before normal retirement age, the age of the member plus the service of the member totals 90 or more;
- an early retirement pension payable within the ten year period before normal retirement age reduced by 5% for each year the member retires before normal retirement age (previously the reduction was more severe);
- where a member who has elected a deferred pension on termination of service becomes re-enrolled in the System, the period of credited service derived from the deferred pension is "linked" to the current period of credited service and used in the calculation of the new pension

entitlement (previously there was only a linking of credited service if the gap in service was less than six months);

- prior service of members covered under a Type 1 supplementary benefit agreement will become credited service under the System and this will be portable within OMERS if the member changes municipal employment;
- members covered for prior service under a Type 2 supplementary benefit agreement will continue to be eligible for the fixed amount of pension provided under the agreement but such pension amount will be increased each year by the difference between 7% and the Fund earnings rate of the previous year;
- Type 2 supplementary benefit agreements will not be available to members and employers after December 31, 1982 but a partial Type 1 supplementary benefit agreement will be available. Thus if an employer has limited funds available for prior service pensions, there will be a supplementary benefit agreement available to accommodate this situation;
- employer costs under a present or future Type 1 or 2 supplementary benefit agreement will be determined as at January 1, 1983, or the effective date of a future agreement and these costs when paid to OMERS will be the only costs for the prior service;
- Type 3 supplementary benefits providing for unreduced early retirement on completion of 30 years of service will no longer be available for members with a normal retirement age of 65 years, having been replaced for all of these members by the introduction of the "90 Factor" early retirement pension provision. Those members covered under a Type 3 supplementary benefit agreement on December 31, 1982 will continue with this entitlement;
- Type 3 supplementary benefits providing for unreduced early retirement on completion of 30 years of service will continue for members with a normal retirement age of 60;
- Type 3 supplementary benefits providing for a permanent partial disability benefit within ten years of normal retirement age will continue for all members currently provided this benefit and it will continue to be available in the future for other members.



The Board will summarize the existing financial position of each supplementary agreement as at December 31, 1982 and provide details of the changes to the administration of these agreements for 1983 and future years. This information will be provided to the employer and member groups covered under each agreement during the latter part of 1983.

In 1982 the Board made a presentation to the Select Committee on Pensions which had been established by the Legislature to study the Report of the Royal Commission on the Status of Pensions in Ontario. Later in 1983 the Report of the Select Committee was made public and the Board wrote to the Treasurer of Ontario expressing certain views with respect to the various recommendations contained therein.

Late in 1982 the Federal Government produced a report entitled "Better Pensions for Canadians" and then established a Special Committee of the House of Commons to hold hearings across the country and to make recommendations for action by the end of 1983. This Federal report is the last in a long series of studies and reports on pensions in the last five years. The Board expects that sometime in the next few years the results of all of these studies will become government policy and will affect certain aspects of OMERS. As a clearer picture of future policies develops, the Board will examine the impact on OMERS and make recommendations to incorporate any new policies. The Board will also attempt to keep the members of OMERS and the participating employers apprised of these developments.

The Board issued "OMERS Update" four times in 1982 with the June and November issues providing details of the changes proposed to the benefits in 1983. This publication is issued to the employers in sufficient quantity to post in the workplace so that all members will have the opportunity of reading the various deliberations of the Board at the regular monthly meetings.

Seven years ago the Board established a policy of holding two meetings each year in various parts of Ontario. Meetings have been held in Kenora, Thunder Bay, Sault Ste. Marie, Timmins, Sudbury, Ottawa, Kingston, Waterloo, St. Catharines, London and Windsor and meetings are scheduled for Cornwall and North Bay during 1983. At these meetings the Board holds a regular Board meeting and a special meeting with member and employer representatives from each participating employer in the nearby geographic area.

In addition, during 1982 the Board held a special

meeting in September with representatives of member associations and unions and employer organizations representing Province-wide organizations. This meeting was held to discuss in detail the proposed changes to the benefits and administration outlined earlier in this report.

## PENSION ADMINISTRATION

### Finance

A five year review of financial highlights is found on Schedule 1.

Investments at cost increased 21.6% from \$3,069,789,000 to \$3,733,529,000 and these investments include investments held for the basic OMERS plan, prior service agreements, supplementary benefit agreements and the managed plans. Investment income increased from \$284,479,000 in 1981 to \$355,876,000 in 1982, an increase of 25.1%.

Basic plan contributions of members amounted to \$167,000,000 in 1982 representing an increase of 15.6% over 1981 member contributions. Employers contributed a matching amount in 1982 subject to year-end adjustments. The employer contributions in 1982 of \$169,365,000 were 17.0% higher than those of 1981.

Payments made to or on behalf of members in 1982 amounted to \$89,487,000 representing payments of pensions, refunds of member contributions and interest and transfers to other pension plans. This is an increase of 31.8% over member payments in 1981. Actual pension payments in 1982 were 22.6% greater than in 1981.

The reserve for prior service agreements decreased in 1982 from \$4,714,000 to \$4,361,000 as this phase of OMERS winds down. The reserve for supplementary benefit agreements on the other hand increased from \$176,539,000 to \$190,304,000 in 1982, an increase of 7.8%.

Funds on deposit with OMERS representing investments of the managed plans increased 21.5% in 1982 from \$340,059,000 to \$413,160,000.

The reserve held by the Board for the basic plan benefits increased from \$2,604,125,000 to \$3,191,720,000 in 1982, an increase of 22.6%. This reserve is maintained for the payment of current pensions and the future payment of pensions earned by the contributing members of the System. The portion of the report

entitled Actuarial Valuation compares the reserve at the beginning of 1982 with the liabilities for benefits being paid or earned as at the same date.

### Membership

On December 31, 1982, there were 491 municipalities, 129 school boards and 422 other local boards participating in OMERS for a total of 1,042 participating employers.

At the end of 1982, there were 126,121 members contributing to the System with 51.1% employees of municipalities, 25.4% employees of school boards and 23.2% employees of other local boards. 37.2% of the contributing members of OMERS are female and 13.7% of the members are policemen or firemen with a normal retirement age of 60.

The change in membership in 1982 is as follows:

Contributing members, January 1, 1982	123,037	
Members enrolled	<u>11,764</u>	
		<u>134,801</u>
Terminating members electing:		
— a refund of contributions	4,943	
— a deferred pension	547	
— a transfer within OMERS	289	
— a transfer to another plan	119	
Disabled members electing a waiver	493	
Members retiring on pensions	1,986	
Deaths of members	<u>303</u>	<u>8,680</u>
Contributing members, December 31, 1982		<u><u>126,121</u></u>

When OMERS was established one of the objectives was to provide reasonable pension benefits at reasonable and stable cost to the many smaller municipalities and local boards in Ontario by the “pooling” of both large and small groups. This objective has been achieved based on the fact that 557 of the 1,042 participating employers (53%) have less than 25 members in OMERS, with an average of 9 members each. On the other hand, the 25 employers with the greatest number of members represent 39% of the total membership and average 1,987 members.

At the end of 1982, there were 23,287 members or their beneficiaries receiving monthly pensions from OMERS representing an increase of 9.3% in the number of monthly pensions paid. 13,442 retired members were receiving normal retirement pensions, 3,341 were receiving early retirement pensions, 1,473 were receiving disability pensions and 4,898 spousal

benefits and 13 children's benefits were under payment.

As at December 31, 1982, there were 3,710 members who had terminated their service and elected a deferred pension. During the year, 547 members elected a deferred pension on termination, 13 members are again enrolled in the System and 243 members commenced to receive a benefit. OMERS is one of the few pension plans in Canada that allows terminating members to leave their contributions in the System and obtain an entitlement to a pension benefit without requiring specific years of service for this entitlement. In pension jargon this is referred to as “immediate” vesting and the lack of such vesting in most pension plans has been singled out as one of the weaknesses of such plans. Because the “immediate” vesting provision of OMERS is optional for terminating members (unless they are 45 years of age and have completed 10 years of service) the experience of OMERS in the last six years would indicate that the majority of terminating members are not interested in protecting their pension entitlements.

In the 1977 to 1982 period, 46,481 members have terminated their service for reasons other than retirement and death and only 2,851 of these members (6.1%) elected to protect their pension entitlements.

When OMERS was first established many employers transferred funds held in former pension plans to OMERS under provisions of prior service agreements. These agreements are gradually diminishing in importance and at the end of 1982 the Board was administering 135 such agreements covering 1,374 members with assets of \$4,361,000.

In 1969, the Board entered into the first supplementary benefit agreement and these are now utilized by many employers to provide past service pension benefits and unreduced early retirement benefits. On December 31, 1982, the Board was administering 265 supplementary agreements covering 29,675 members with assets of \$190,304,000.

The following table summarizes member participation in supplementary benefits as at December 31, 1982:

Type 1	3,981
Type 1 and 3	3,936
Type 2	1,104
Type 2 and 3	152
Type 3 only	<u>20,502</u>
	<u><u>29,675</u></u>



The table indicates that 7,917 members have Type 1 coverage, which is past service based on the basic plan formula; 1,256 members have Type 2 coverage, which is past service based on recent earnings and 24,590 members have Type 3 coverage providing unreduced early retirement pensions. The members covered with the Type 3 supplementary benefit represent about 19% of the total membership.

## INVESTMENT PROGRAM

Funds for investment each year flow from member and employer contributions, interest and dividends from investments, profit on sale of investments and principal repayment of debt instruments less benefit payments, administrative expenses and losses on the sale of investment. These funds are derived from the operation of the basic plan, prior service agreements, supplementary benefit agreements and the managed plans. All funds are pooled together for investment purposes and the following data with regard to the investment program reflects all of the funds invested by the Board.

During 1982, all funds available for investment were invested in capital market securities as has been the case since 1979. Prior to 1979 funds available for investment were invested in special Provincial debentures and capital market securities in the 1975 to 1978 period and only in special Provincial debentures prior to 1975.

When the Board ceased to invest in special Provincial debentures on December 31, 1978, a total amount of \$1,293,025,000 had been so invested and these debentures provide a 9.07% average rate of return. It is often suggested that these funds were loaned to the Province at low interest rates. In fact these debentures now carry an interest rate reflecting the market conditions at the time of issue. Details of these debentures can be found in the notes to the financial statements presented later in this report. The first of these debentures become due and payable on December 31, 1993 in the amount of \$129,500,000 and further debentures become due and payable each year thereafter.

The current status of the investments of OMERS at amortized cost is as follows:

(\$ Thousands)	As at December 31			
	1982		1981	
Short Term	\$ 312,095	13%	\$ 340,246	19%
Bonds	668,020	28	497,435	28
Mortgages	618,008	25	483,134	27
Equities	715,727	29	370,356	21
Real Estate & Special	126,654	5	85,593	5
Total Capital Market Securities	\$2,440,504	<u>100%</u>	\$1,776,764	<u>100%</u>
Special Provincial Debentures	1,293,025		1,293,025	
Total Investments	<u>\$3,733,529</u>		<u>\$3,069,789</u>	

The total portfolio grew 22% in both 1982 and 1981. However, the capital market security portion increased 37% in 1982 and 46% in 1981. This area of Board responsibility continues to increase significantly each year and the Board is spending more and more time on this area of management.

When the Board was first authorized in 1975 to invest in capital market securities, a standing committee of the Board was appointed comprising members and staff of the Board and outside investment specialists. The Investment Policy Committee of the Board meets monthly and is responsible for recommending overall investment policy to the Board for approval. It establishes shorter term strategies and recommends investment criteria under which the staff of the Board undertakes day to day investments. The Committee also authorizes certain types of investments.

The primary objective of the Board in investing funds in capital market securities is to maximize the value of the invested funds over time. This is accomplished through the addition of investment income and capital appreciation while bearing in mind the safety of the capital invested. The invested assets are held to meet the liabilities for benefits for contributing and retired members and the growth of the assets must at least match the increase in liabilities each year after taking into consideration the contributions of members and employers.

During 1982 a new approach was adopted in determining the policy with regard to the proportion of funds invested in major asset classes. The current policy noted below was developed by examining the future liabilities to be funded, the estimated level of contributions less benefit payouts, the expected range of returns from various classes of assets and the risk attached to each class of asset. The asset mix chosen was that which provided a reasonable expectation of exceeding the liabilities with a low risk of falling short

of meeting the expected liabilities. The table below is based on the market value of assets which is another departure from past policy in this area which was based on amortized cost:

Class of Asset	Policy Range			Year-End Position
	High	Mid-Point	Low	
Short Term	35%	2%	0%	12%
Debt Investments				
Bonds	46%	23%	16%	24%
Term Loans	5	3	2	2
Mortgages	43	23	17	23
	<u>65%</u>	<u>49%</u>	<u>35%</u>	<u>49%</u>
Equity Investments				
Equities	60%	44%	30%	35%
Real Estate	10	5	2	4
	<u>70%</u>	<u>49%</u>	<u>32%</u>	<u>39%</u>
Total Investments		<u>100%</u>		<u>100%</u>

The Board's target asset classes are the mid-points of the policy range and the high and low percentages merely set maximum and minimum positions. A number of the percentage totals exceed the overall percentage but it is unlikely that each asset will be at the high or low range at the same time.

For the last five years, the average returns on the capital market securities portion of the portfolio is as follows:

Year	1982	1981	1980	1979	1978
Yield	12.13%	12.09%	10.71%	10.88%	10.47%

The formula for calculating the above returns is the net investment income (income less investment expenses) divided by the average book value of investments, weighted monthly.

In 1982 the capital market investments increased \$664,000,000 based on amortized cost and \$911,000,000 based on market values. The following table shows the net change by asset classes for 1982:

(\$ Thousands)	Book Value	Market Value
Short Term	\$(28,000)	\$(28,000)
Bonds	171,000	261,000
Mortgages	135,000	198,000
Equities	345,000	442,000
Real Estate and Special	41,000	38,000
	<u>\$664,000</u>	<u>\$911,000</u>

The larger increase in the market value reflects a lowering of interest rates from the end of 1981 which increases the market value of bonds and mortgages and for equities indicates higher share values from a year ago.

The **short term** segment of the portfolio was maintained at approximately 15% of the portfolio during the year because of the economic circumstances prevailing during the year. Normally, short term investments are retained at about 2% of the portfolio but during the latter part of 1981 and during 1982 it appeared prudent to maintain short term investments at a high level.

**Bond** investments during 1982 followed a moderate strategy during the first half of 1982 when it appeared that interest rates would continue an upward climb and purchases during this period were confined to terms of 5 to 10 years. As rates began to fall in the latter part of the year purchases were made with longer terms to maturity.

During the year, \$232,500,000 was invested in bonds and sales were \$79,000,000 at book value. The composition of the bond portion of the portfolio at the end of 1982 and 1981 at amortized cost is as follows:

(\$ Thousands)	1982	1981
Government Bonds:		
Canada	\$180,702	\$103,025
Provincial	231,942	196,181
Municipal	26,086	24,271
Corporate Bonds:	183,790	145,325
	<u>\$622,520</u>	<u>\$468,802</u>
Percentage of Portfolio	26%	26%
Market Value	\$620,762	\$376,327

The market value of bonds at the end of 1982 was almost equal to the amortized cost whereas at the end of 1981 the market value was considerably lower than amortized cost. The increase in market value reflects the lower interest rates that prevailed at year end compared to a year earlier.

The fixed income segment of the portfolio also includes a **term lending** program to small and medium sized corporations through a company owned by a group of pension funds and these loans assist the businesses to finance expansions, acquisitions, debt restructuring and other needs. At the end of 1982 these investments at amortized cost amounted to \$45,500,000, an increase of 59% over similar investments at the end of 1981 and currently represent about 2% of the portfolio.

**Mortgage** investments in 1982 were mainly in loans for residential properties insured by CMHC under the National Housing Act. The high interest rates in the early half of 1982 made commercial mortgage lending virtually impossible on an economic basis although funds were advanced on commercial mortgages in 1982 resulting from commitments made in 1980 and 1981.

The following table compares the mortgage portfolio at the end of 1982 and 1981 at amortized cost.

(\$ Thousands)	1982	1981
Residential:		
Single Family	\$ 17,381	\$ 21,966
Condominium	4,347	4,801
Rental	462,783	383,264
Commercial:		
Office Buildings	62,121	39,782
Shopping Centres	54,213	16,300
Hotels	14,787	14,870
Retail	2,376	2,151
	<u>\$618,008</u>	<u>\$483,134</u>
Percentage of Portfolio	25%	27%
Market Value	\$581,144	\$382,673

The mortgage portion of the portfolio increased 28% in 1982 even though as a percentage of the total portfolio it reduced. The market value of mortgages was 94% of the amortized cost at the end of 1982 compared to 79% at the end of 1981 reflecting lower interest rates at year end. Current policy is to hold mortgages to maturity thus the amortized cost will be realized and no loss will occur from currently lower market values.

The **equity** portion of the portfolio increased 93% in 1982 based on cost values, from \$370,356,000 to \$715,727,000. At the end of 1982, equities represented 29% of the portfolio, compared to 21% at the end of 1981. The main thrust of equity purchases occurred in the latter half of the year. In July, although the economy continued in the doldrums, the markets had declined to a level at which long-term values were considered exceptionally attractive and an aggressive investment program was begun. The equity investments in Canadian individual stocks and U.S. mutual funds particularly increased rapidly in the second half of the year. Strong markets continued throughout the second half of 1982 and at year end the market value of the equity portion of the portfolio was \$856,102,000, 20% greater than the cost value of \$715,727,000.

The following is a summary of the equity portion of the portfolio at the end of 1982 and 1981 at cost values:

(\$ Thousands)	1982	1981
Canadian Investments:		
Individual Stocks	\$416,784	\$176,384
Mutual Funds	13,339	12,614
Non-Canadian Investments:		
U.S. Individual Stocks	138,947	96,043
U.S. Mutual Funds	105,386	42,070
Pacific Mutual Funds	4,546	4,280
Pacific Managed Funds	22,902	25,966
European Managed Funds	5,005	5,101
Worldwide Mutual Fund	8,818	7,898
	<u>\$715,727</u>	<u>\$370,356</u>

Percentage of Portfolio	29%	21%
Market Value	\$856,102	\$413,898

The **real estate** and **special situation** portion of the portfolio increased 48% in 1982, from \$85,593,000 to \$126,654,000. While this portion of the portfolio only represents 5% of the portfolio it does include some of the more innovative pension fund investments.

The following summarizes this portion of the portfolio at cost at the end of 1982 and 1981:

(\$ Thousands)	1982	1981
Real Estate:		
Real Estate	\$ 94,703	\$61,375
Oil and Gas	6,814	4,879
Venture Capital	25,137	19,339
	<u>\$126,654</u>	<u>\$85,593</u>
Percentage of Portfolio	5%	5%
Market Value	\$137,761	\$99,681

Real estate investments are made by OMERS in three different approaches. The major portion of the program is through the ownership of special corporations owned by a group of pension funds. A smaller portion of the investments are made through established institutions whereby OMERS invests in a pooled fund with other investors. OMERS also invests in direct ownership of real estate. These investments provide an income stream from the commercial operation and also a growth in the value of the asset over time.

Oil and gas investments include an investment made in 1980 with other pension funds in oil and gas producing properties. The Board established a wholly-owned subsidiary company to account for this particular investment. In 1982 the Board invested funds in a special vehicle established for pension fund investors which invests jointly with a recognized oil industry partner. Further investments of this type are

now being investigated to capitalize on the current favourable opportunities established by the Federal Government for pension funds in this major industry.

Venture capital investments are made through carefully selected investment management firms in new or expanding firms in the high technology and high growth areas of the economy. While these types of investments have a high risk attached to them, they also offer exceptional returns. For this reason the market value is assumed to be equal to the cost of the investment until there has been a longer experience attached to these investments.

Details of the investments in capital market securities are found in the last schedule of this report. At year end the market value of the portfolio was \$2,553,364,000, an increase of 56% over the market value at the end of 1981. This compares to an amortized book value (cost) increase of 37% to \$2,440,504,000 at the end of 1982. The larger increase in the market values reflects the increased values on common stock held in the portfolio, reduced interest rates at the end of 1982 and capital appreciation on other investments held in the portfolio.

## ADMINISTRATIVE EXPENSES

The administration of OMERS includes the basic plan, prior service agreements, supplementary benefit agreements, managed plans and the investment program.

The direct costs associated with the investment program have increased significantly in each of the last four years paralleling the growth of the assets under management. Certain costs, such as commissions paid on the purchase and sale of common stocks and bonds are added to the purchase price of the asset or deducted from the sale price of the investment. Servicing fees for mortgage investments and fees for funds managed on behalf of the Board and custodian and banking costs are deducted from the income derived from these investments. Since the bulk of the investments are made by the staff of the Board, administrative expenses for the investment program comprise staff compensation, office accommodation and equipment, computer facilities, audit and legal services, communication and normal office costs.

The Board established an expense guideline for the investment program of 1/10 of 1% (0.1%) of the year end portfolio of investments at cost. A four year summary of investment administrative expenses within the guideline is as follows:

(\$ Thousands)	<u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>
Expenses	\$1,641	\$1,073	\$723	\$468
Year End				
Portfolio				
at Cost	\$2,440,504	\$1,776,764	\$1,215,409	\$758,997
Expenses as a				
Percentage of				
the Portfolio	0.07%	0.06%	0.06%	0.06%

The above table shows that in 1979, 1980 and 1981 the investment program administrative expenses were only 60% of the guideline amount and in 1982 70% of the guideline.

This aspect of the operation of OMERS has rapidly grown into a major responsibility for the Board which weighs very carefully the cost/benefit relationship to investment expenses. Because of the long term financial rewards for superior portfolio management the Board wants to ensure that the needed management tools and expertise are available at reasonable cost.

The remainder of the administrative expenses are related to the pension program. The work load associated with the basic plan, supplementary benefits and managed plans is combined into the various administrative functions. The Board charges the supplementary benefit agreements and the managed plans an administration fee to ensure that the basic plan does not absorb any costs related to these other programs and also ensures that the administrative fee is competitive for the work performed.

The following table shows the pension program administrative expenses, the administrative fee recoveries and the cost per member for the last four years:

(\$ Thousands)	<u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>
Expenses	\$2,721	\$2,399	\$2,133	\$1,809
Fee Recoveries	<u>832</u>	<u>765</u>	<u>640</u>	<u>573</u>
Net Expenses	<u>\$1,889</u>	<u>\$1,634</u>	<u>\$1,493</u>	<u>\$1,236</u>
Members (Active, Deferred, Pensioners)	153,118	147,673	142,552	138,051
Cost per Member	\$12.34	\$11.06	\$10.47	\$8.95
Percentage Increase over Prior Year	12%	6%	17%	16%

Since the commencement of OMERS in 1963, the Board has used, as an expense guideline, the assumption for administrative expenses adopted by the actuary for actuarial valuations. Except in the very early years of OMERS the pension program expenses have been well within this guideline which is 1% of basic plan member and employer contributions.



The following table compares the pension program net administrative expenses to the guideline adopted by the Board for the last ten years:

(\$ Thousands)	Net Expenses	Expense Guideline	Expenses as a Percentage of Guideline
1982	\$ 1,889	\$ 3,340	57%
1981	1,634	2,889	57
1980	1,493	2,527	59
1979	1,236	2,236	55
1978	1,038	2,051	51
1977	766	1,406	55
1976	749	1,270	59
1975	692	1,065	65
1974	579	855	68
1973	371	726	51
	<u>\$10,447</u>	<u>\$18,365</u>	<u>57%</u>

In the 10 year period ending in 1982, the actual pension program net expenses have been only 57% of the guideline of 1% of member and employer contributions and have contributed over \$8 million to the actuarial position of the Fund without considering interest earned on these funds. The actual expenses have ranged from 51% to a high of 68%. In actual practice, the Board aims for pension program expenses to be about 60% of the guideline amount, similar to the investment program expenses when related to that guideline.

Details of actual administrative expenses are shown in the audited financial statements forming part of this report.

## ACTUARIAL VALUATION

The following table summarizes the results of the actuarial valuation of the Fund as at January 1, 1981 and January 1, 1982:

(\$ Thousands)	Valuation Results As At January 1	
	1982	1981
ACTUARIAL LIABILITIES:		
Present Value of:		
Pensions under Payment	\$ 462,263	\$ 354,339
Vested Deferred Benefits	15,509	13,997
Benefits for Present Contributors and their Survivors	<u>1,994,651</u>	<u>1,530,230</u>
	\$2,472,423	\$1,898,566
ASSETS:		
Fund Assets at January 1	<u>\$2,640,372</u>	<u>\$2,146,314</u>
ACTUARIAL SURPLUS	<u>\$ 167,949</u>	<u>\$ 247,748</u>

The above results are based on current assumptions which include an estimate that salaries will increase 8% each year in the future, the fund will earn 8% on investments in the future and the YMPE under the Canada Pension Plan will increase 12½% until 1985 and 6% each year thereafter. The 1982 results include a change from the assumptions used in 1981 in that interest after retirement or termination is assumed to be 7% rather than the 8% used in 1981. This allows the Board to base annual pension and deferred pension increases on the "excess interest" principle using 7% as the base interest rate and allowing increases each year to be the difference between 7% and the Fund's earnings rate. The assumption change is the main reason the surplus position on January 1, 1982 was less than the surplus position on January 1, 1981.

The above valuations are based on an actuarial method called the "unit credit cost" method which is the minimum funding requirement under the Pension Benefits Act. The liabilities have been determined by calculating the present value of pensions under payment and vested deferred pensions and the present value of the pensions of present contributors based on credited service to the date of the valuation and earnings projected to the normal retirement age of the member.

Based on the above results the basic OMERS fund is "fully funded" in that sufficient funds are on hand to provide for all current liabilities. In fact, the Fund was over-funded 13% as at January 1, 1981 and 7% as at January 1, 1982.

As noted earlier in this report, the early retirement pension benefits have been improved as of January 1, 1983. If the additional liabilities for these improvements had been included in the above valuation results as at January 1, 1982, the actuarial surplus of \$167,949,000 would have been reduced to approximately \$20,000,000. Thus, the introduction of these improved early retirement benefits plus the introduction of regular pension increases using the excess interest principle has been achieved without affecting the financial soundness of the System which still remains fully funded.

## MANAGED PLANS

The Board manages and administers, separately from OMERS, the pension plans of the following organizations:

Ryerson Polytechnical Institute  
Colleges of Applied Arts and Technology  
Caucus Employees of the Legislature  
Guarantee Fund for certain utility employees

These plans are operated under separate agreements with the Board and all member records, books of account, financial reporting, bank accounts and other records are kept for each of the plans. The Board receives a management fee each year for this administration so there is no charge against the operation of OMERS.

## THE BOARD AND ITS ADVISORS

There was no change to the composition of the Board in 1982 with three members — Messrs. Bernardi, Bevan and Dobbin — being re-appointed to the Board. Mr. Roberts continued as Chairman of the Board during 1982 and Mr. Boyce continued as Vice-Chairman. On November 30, 1982, Mrs. Betty Stewart resigned from the Board and was replaced by Mr. Ted Matthews, Reeve of Sidney Township, in January 1983.

Messrs. Roberts, Bernardi and Schaefer served on the Investment Policy Committee of the Board together with the four investment specialists appointed by the Board and two senior members of the staff.

Mr. R. A. Field of The Wyatt Company continued as the actuary to the Board during 1982 and during the year undertook special costings for the proposed benefit changes as well as two valuations of the Fund as at January 1, 1981 and 1982. Mr. Purdy Crawford of Osler, Hoskin and Harcourt continued to provide legal services to the Board and again in 1982 these increased due to additional work in the investment area. Dr. R. G. MacKenzie, the Board's medical advisor since 1963, examined all claims submitted for disability benefits. The firm of Coopers & Lybrand continued as auditors of the Fund for 1982.

The authorized staff complement for 1982 was 103 positions, with 33 working directly in the investment program, 65 in the pension administration area and 5 in the management and policy development area.

The day to day administration of OMERS is carried out by the many employees of the 1,042 participating

employers that participate in the System. During 1982 the Board issued an Employer Manual to assist this important group of people whose effort and contribution allow OMERS to operate effectively on behalf of the members of the plan.

## CONCLUSION

1982 has been an important year for the members and pensioners of OMERS. Because of the strong financial position of the Fund, it has been possible to introduce a method of regularly increasing pensions under payment and to introduce improved early retirement pensions. These changes, together with the major change in 1978 when the pension formula was changed to a final average earnings basis, have now brought the pension benefits of OMERS on an equal basis with the pension benefits of other public sector pension plans in Ontario.

While there is still no word on future changes proposed in the many studies in Canada related to reforming the pension system, the Board is confident that whatever is proposed in the next few years OMERS will be in a satisfactory position to implement the changes without seriously affecting the sound financial position of the System.

The year 1982 marks the completion of twenty years of operation for OMERS. The Board takes pride in the fact that OMERS has achieved its original objective of providing adequate pension benefits to employees of municipalities and local boards in Ontario at reasonable and stable costs. The Fund has enjoyed a sound and stable financial position during the last 20 years and at the same time improved benefits have been introduced. The plan is now one of the largest in Canada and in 1983 the capital market security portion of the portfolio will rival the largest pool of pension fund capital in Canada.

The challenge facing the Board is to continue to manage and administer the System in a sound financial manner so that future changes and improvements can be achieved within current contribution levels. The members of the Board are both honoured and privileged to have the opportunity to operate OMERS on behalf of the thousands of municipal employees who are contributing to the System or who are receiving a pension each month from OMERS.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Balance Sheet

as at December 31, 1982

	<u>1982</u>	<u>1981</u>
<b>Assets</b>		
Investments (note 2)	\$3,733,528,622	\$3,069,789,424
Contributions receivable	34,479,341	31,515,892
Accounts receivable	440,233	414,209
Accrued income	38,006,465	25,361,885
Cash	<u>4,903</u>	<u>562,425</u>
	<u>\$3,806,459,564</u>	<u>\$3,127,643,835</u>

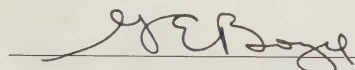
### Reserves and Liabilities

Reserves for:

basic benefits (note 3)	\$3,191,719,579	\$2,604,124,711
prior service benefits (note 4)	4,361,485	4,713,573
supplementary benefits (note 4)	<u>190,303,976</u>	<u>176,538,630</u>
	\$3,386,385,040	\$2,785,376,914

Deposits from administered pension funds (note 5)	\$ 413,159,738	\$ 340,058,824
Accounts payable and accruals	6,874,219	2,172,792
Pension benefits payable	<u>40,567</u>	<u>35,305</u>
	<u>\$3,806,459,564</u>	<u>\$3,127,643,835</u>

Signed on behalf of the Board

 Member

 Member

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Statement of the Reserves

for the year ended December 31, 1982

	Basic Benefits Reserve	Prior Service Benefits Reserve	Supple- mentary Benefits Reserve	Total	1981
<b>Balance, beginning of the year</b>	\$2,604,124,711	\$4,713,573	\$176,538,630	\$2,785,376,914	\$2,276,707,780
<b>Increases in Reserves</b>					
Contributions of:					
• Members	167,004,256		3,913,824	170,918,080	147,365,399
• Employers	169,364,564	31,830	37,589,877	206,986,271	179,294,614
	<u>336,368,820</u>	<u>31,830</u>	<u>41,503,701</u>	<u>377,904,351</u>	<u>326,660,013</u>
Income earned from investments	337,946,197	225,202	17,704,203	355,875,602	284,478,967
Administrative expenditures recovered from:					
• Supplementary benefits reserve	414,095			414,095	375,096
• Administered pension funds (note 5)	418,071			418,071	389,763
	<u>832,166</u>			<u>832,166</u>	<u>764,859</u>
Transfer to basic benefits reserve from:					
• Prior service benefits reserve	527,710			527,710	476,946
• Supplementary benefits reserve	45,109,873			45,109,873	28,004,633
	<u>45,637,583</u>			<u>45,637,583</u>	<u>28,481,579</u>
Transfer to supplementary benefits reserve from:					
• Prior service benefits reserve			81,410	81,410	5,118
	<u>720,784,766</u>	<u>257,032</u>	<u>59,289,314</u>	<u>780,331,112</u>	<u>640,390,536</u>
<b>Decreases in Reserves</b>					
Members' pensions	55,304,642			55,304,642	45,127,586
Members' contributions plus interest refunded	16,063,643			16,063,643	21,675,832
Transfer to other pension plans	1,618,725			1,618,725	1,105,569
Income credited to administered pension funds (note 5)	39,341,044			39,341,044	31,478,573
Closing supplementary agreements	16,500,000			16,500,000	
Transfer to basic benefits reserve for:					
• Pension present value		507,971	28,361,710	28,869,681	28,141,754
• Members' contributions plus interest refunded		16,045	16,658,614	16,674,659	209,054
• Transfer to other pension plans		3,694	1,260	4,954	7,588
• Purchase waiting period			74,501	74,501	1,420
• Purchase broken service			7,199	7,199	
• Purchase additional pension (Sec. 20)			6,589	6,589	
• Closing supplementary agreements					121,763
		<u>527,710</u>	<u>45,109,873</u>		
• Administrative expenditures			414,095	414,095	375,096
Transfer to supplementary benefits reserve for:					
• Closing prior service agreements		81,410		81,410	5,118
Administrative expenditures					
• Pensions	2,720,784			2,720,784	2,398,710
• Investments	1,641,060			1,641,060	1,073,339
	<u>133,189,898</u>	<u>609,120</u>	<u>45,523,968</u>	<u>179,322,986</u>	<u>131,721,402</u>
<b>Balance, end of the year</b>	<u>\$3,191,719,579</u>	<u>\$4,361,485</u>	<u>\$190,303,976</u>	<u>\$3,386,385,040</u>	<u>\$2,785,376,914</u>



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Schedule of Administrative Expenditures

for the year ended December 31, 1982

	1982	1981
<b>Personal Services including Employee Benefits</b>		
Salaries of regular staff	\$2,252,082	\$1,762,195
Salaries of casual staff	59,629	47,454
Pensions	165,342	130,343
Unemployment insurance	29,285	25,991
Workmen's compensation	3,660	2,513
Hospital and medical insurance	79,796	65,137
Term-life insurance	15,401	13,020
Long-term disability insurance	15,137	13,183
	<u>\$2,620,332</u>	<u>\$2,059,836</u>
<b>Transportation and Communication</b>		
Travel expenses, including overtime meal allowances	\$ 86,816	\$ 59,486
Telephone	111,499	89,312
Postage and express	85,602	54,721
	<u>\$ 283,917</u>	<u>\$ 203,519</u>
<b>Purchases of Service</b>		
Actuarial services	\$ 139,545	\$ 89,100
Audit services	44,875	27,014
Medical services	13,775	20,440
Legal services	94,590	68,052
Other professional services	37,518	46,537
Recruitment and training of employees	33,522	26,576
Rental of offices	368,743	332,700
Computer processing	208,342	200,810
Maintenance and repair of equipment	10,294	7,183
Electricity	12,411	10,635
Insurance	3,440	3,183
Board's services	105,710	94,094
Research and information	55,718	45,843
	<u>\$1,128,483</u>	<u>\$ 972,167</u>
<b>Materials and Supplies</b>		
Furniture and equipment purchases	\$ 57,153	\$ 50,244
Supplies and stationery	110,956	103,123
Publications for members and employers	127,755	55,210
Alterations to offices	33,248	27,950
	<u>\$ 329,112</u>	<u>\$ 236,527</u>
Total Expenditures	<u>\$4,361,844</u>	<u>\$3,472,049</u>
<b>Distribution</b>		
• Pensions	\$2,720,784	\$2,398,710
• Investments	1,641,060	1,073,339
	<u>\$4,361,844</u>	<u>\$3,472,049</u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements

### for the year ended December 31, 1982

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Investments*

Investments are recorded in the accounts at cost. Gains or losses on their disposal are credited or charged to income. Income from investments is recorded on the accrual basis.

##### *Contributions*

Member and employer contributions received subsequent to the year-end, but which are applicable to the current year, are recorded as receivables.

##### *Benefits*

Payments for benefits are recorded in the year in which such payments are made.

#### 2. INVESTMENTS

The following is a description of the investments:

- (a) Province of Ontario debentures issued under section 8(4) of the Ontario Municipal Employees Retirement System Act.

<u>Date of Maturity</u>	<u>Weighted Average Interest Rate</u>	<u>Cost</u>
December 31, 1993	8.06%	\$ 129,500,000
December 31, 1994	9.50%	148,825,000
December 31, 1995	9.70%	182,250,000
December 31, 1996	6.00%	20,100,000
December 31, 1997	6.30%	24,900,000
December 31, 1998	7.21%	33,100,000
December 31, 1999	8.19%	46,700,000
December 31, 2000	9.10%	57,600,000
December 31, 2001	7.85%	75,000,000
December 31, 2002	9.50%	265,800,000
December 31, 2003	9.45%	187,950,000
December 31, 2006	9.77%	<u>121,300,000</u>
		<u>\$1,293,025,000</u>

The weighted average interest rate on the total investment in Ontario debentures is 9.07%.

Market value for the Ontario debentures has not been determined as these debentures have no quoted market value. The values stated remain unchanged from those reported at December 31, 1981.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements

for the year ended December 31, 1982

### 2. INVESTMENTS (continued)

- (b) Investments commencing September 30, 1975 under section 8(6) of the Ontario Municipal Employees Retirement System Act which are subject to the limitations of the regulations of the Pension Benefits Act.

	1982		1981	
	Market Value	Cost	Market Value	Cost
Short Term Deposits	\$ 312,094,979	\$ 312,094,979	\$ 340,246,134	\$ 340,246,134
Bonds and Debentures	666,262,301	668,020,130	404,959,349	497,435,437
Mortgages	581,144,512	618,008,219	382,673,309	483,134,007
Equities	856,101,872	715,727,313	413,897,909	370,356,472
Venture Capital	25,136,580	25,136,580	19,338,575	19,338,575
Real Estate	112,623,576	101,516,402	80,342,322	66,253,799
	<u>\$2,553,363,820</u>	<u>\$2,440,503,623</u>	<u>\$1,641,457,598</u>	<u>\$1,776,764,424</u>

Market value is quoted value for bonds, debentures and equities.

Market value for mortgages is computed based on market yields.

Market value for real estate is appraised value as provided by our property managers.

Market value for venture capital has been assumed to equal the cost due to the special nature of the investment.

(c) Total investments at cost	\$3,733,528,623	\$3,069,789,424
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### 3. BASIC BENEFITS RESERVE

The basic benefits reserve is maintained for the payment of pensions to retired members or their beneficiaries and the future payment of pensions and benefits to contributing members and to terminated members who have elected a deferred pension.

The latest actuarial valuation of the Fund dated January 1, 1982 determined the total actuarial liabilities of the Fund for basic benefits to be \$2,472,423,000 using the unit credit cost method. The adjusted book value of accumulated assets at that date was \$2,640,372,000 resulting in an actuarial surplus of \$167,949,000.

The actuarial liabilities of the Fund as at January 1, 1982 reflect an increase of \$162,200,00 resulting from a change in the interest rate assumption applicable to the period following active service of a member from 8% to 7%. This change was approved by the Board.

The results of the valuation projected to December 31, 1982, indicate that the existing levels of member and employer contributions are sufficient to meet the cost of benefits earned from January 1, 1982 to December 31, 1982.

# **ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND**

## **Notes to the Financial Statements for the year ended December 31, 1982**

### **4. PRIOR SERVICE AND SUPPLEMENTARY BENEFITS RESERVES**

Under the terms of the Ontario Municipal Employees Retirement System Act various participating employers have entered into agreements with the Board for the provision of prior service and/or supplementary benefits. The prior service and supplementary reserves represent the net assets available for payment of benefits under the agreements. Each employer is responsible, individually, for the funding of such benefits.

### **5. ADMINISTERED PENSION FUNDS**

The administered pension funds (which form part of the Fund and which are administered on behalf of the Ontario Council of Regents for Colleges of Applied Arts and Technology, the Ryerson Polytechnical Institute, the members of the Legislative Assembly as represented by the Board of Internal Economy [The Caucus Employees Retirement Fund] and the Minister of Energy for the Province of Ontario [The Ontario Hydro Guarantee Fund]) are credited with amounts which are equal to the income earned by the Fund from the investment of the monies deposited in the Fund by the administered pension funds. The Ontario Municipal Employees Retirement Board is authorized under the terms of the various management agreements to recover its expenses for administering the aforementioned plans.

### **6. COMMITMENTS**

Total investment commitments outstanding at December 31, 1982 amounted to approximately \$204,000,000 of which \$123,000,000 relates to mortgages, \$8,000,000 to bonds, \$54,000,000 to real estate, \$8,000,000 to term lending and the remaining \$11,000,000 to venture capital.

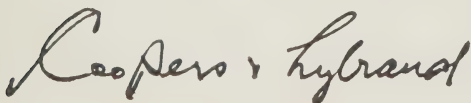
The administration of the Fund is conducted on leased premises and the Fund has entered into a lease agreement which involves a minimum annual base rental of \$283,000 to January 31, 1986.

March 31, 1983

AUDITORS' REPORT TO THE  
ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

We have examined the balance sheet of the Ontario Municipal Employees Retirement Fund as at December 31, 1982 and the statement of the reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1982 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A stylized, handwritten signature in dark ink that reads "Coopers & Lybrand". The script is fluid and cursive, with the letters connected in a continuous line.

CHARTERED ACCOUNTANTS

THE *Wyatt* COMPANY

PENSION PLANS  
EMPLOYEE BENEFITS  
INTERNATIONAL BENEFITS  
RISK MANAGEMENT  
COMPENSATION PROGRAMS  
EMPLOYEE COMMUNICATIONS

ACTUARIES & CONSULTANTS  
141 ADELAIDE STREET W.  
SUITE 606  
TORONTO, ONTARIO M5H 3L5  
(416) 862-0393

HALIFAX MONTREAL  
OTTAWA TORONTO  
CALGARY VANCOUVE  
AND  
PRINCIPAL CITIES  
AROUND THE WORLD

Actuarial Certificate at December 31, 1982

Ontario Municipal Employees Retirement Fund

The most recent actuarial valuation of the above Plan was conducted at January 1, 1982 using the unit credit cost method.

The results of the valuation disclosed total actuarial liabilities of \$2,472.423 million in respect of benefits accrued for service to January 1, 1982. The adjusted book value of accumulated assets at that date was \$2,640.372 million indicating an actuarial surplus of \$167.949 million.

The results of the valuation at January 1, 1982 also indicated that the existing levels of employee and employer contributions are sufficient to meet the cost of benefits to be earned each calendar year until the next actuarial valuation is made.

We are of the opinion, therefore, that the assets of the Fund at December 31, 1982 are sufficient to meet all the liabilities of the Plan in respect of services rendered by members up to that date.

Respectfully submitted

THE WYATT COMPANY

*R. Alvin Field*

March 10, 1983

R. Alvin Field, F.S.A.  
Fellow, Canadian Institute of Actuaries

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## 5 Year Review of Financial Data – 1978 to 1982

(\$ Thousands)	1982	1981	1980	1979	1978
*Investments at Cost					
Provincial Debentures	\$1,293,025	\$1,293,025	\$1,293,025	\$1,293,025	\$1,293,025
Marketable Securities	<u>2,440,504</u>	<u>1,776,764</u>	<u>1,215,409</u>	<u>758,997</u>	<u>328,598</u>
	<u>\$3,733,529</u>	<u>\$3,069,789</u>	<u>\$2,508,434</u>	<u>\$2,052,022</u>	<u>\$1,621,623</u>
*Reserve for Basic Benefits	\$3,191,720	\$2,604,125	\$2,118,691	\$1,718,763	\$1,377,027
Funds Held for:					
Prior Service					
Agreement Reserve	4,361	4,714	4,929	5,040	7,987
Supplementary Benefit					
Agreement Reserve	190,304	176,539	153,088	135,544	129,017
Managed Plans	<u>413,160</u>	<u>340,059</u>	<u>276,819</u>	<u>226,768</u>	<u>182,805</u>
	<u>\$3,799,545</u>	<u>\$3,125,437</u>	<u>\$2,553,527</u>	<u>\$2,086,115</u>	<u>\$1,696,836</u>
Investment Income Earned					
Basic Plan	\$298,605	\$238,447	\$177,907	\$137,381	\$108,423
Prior Service Agreements	225	235	246	95	410
Supplementary Benefit Agreements	17,704	14,318	12,703	11,613	10,997
Managed Plans	<u>39,341</u>	<u>31,479</u>	<u>23,930</u>	<u>19,202</u>	<u>15,007</u>
	<u>\$355,875</u>	<u>\$284,479</u>	<u>\$214,786</u>	<u>\$168,291</u>	<u>\$134,837</u>
Contributions Received for:					
Basic Plan	\$336,368	\$289,121	\$253,571	\$226,440	\$206,470
Prior Service Agreements	32	32	32	32	32
Supplementary Benefit Agreements	<u>41,504</u>	<u>37,507</u>	<u>29,768</u>	<u>27,836</u>	<u>25,593</u>
	<u>\$377,904</u>	<u>\$326,660</u>	<u>\$283,371</u>	<u>\$254,308</u>	<u>\$232,095</u>
Payments to Members					
Pensions Paid	\$ 55,304	\$ 45,128	\$ 35,480	\$ 28,303	\$ 21,649
Contributions and Interest Refunded	16,064	21,676	17,822	27,142	19,515
Transfers to Other Plans	<u>1,619</u>	<u>1,106</u>	<u>1,050</u>	<u>653</u>	<u>566</u>
	<u>\$ 72,987</u>	<u>\$ 67,910</u>	<u>\$ 54,352</u>	<u>\$ 56,098</u>	<u>\$ 41,730</u>
Administrative Expenditures and Recoveries					
Pension Program					
Gross	\$ 2,721	\$ 2,399	\$ 2,133	\$ 1,809	\$ 1,564
Fee Recoveries	<u>832</u>	<u>765</u>	<u>640</u>	<u>573</u>	<u>526</u>
Net	\$ 1,889	\$ 1,634	\$ 1,493	\$ 1,236	\$ 1,038
Investment Program	<u>1,641</u>	<u>1,073</u>	<u>723</u>	<u>468</u>	<u>364</u>
	<u>\$ 3,530</u>	<u>\$ 2,707</u>	<u>\$ 2,216</u>	<u>\$ 1,704</u>	<u>\$ 1,402</u>
Average Yield on Investments					
Provincial Debentures	9.07%	9.07%	9.07%	9.07%	9.07%
Marketable Securities	12.13%	12.09%	10.71%	10.88%	10.47%
Total Portfolio	10.91%	10.63%	9.74%	9.55%	9.25%
Pension Program Net Expenditure as a % of Basic Plan Contributions	0.56%	0.57%	0.59%	0.55%	0.50%

Unaudited figures

\*the amount shown for each year as at December 31 is cumulative



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## 5 Year Review of Selected Data — 1978 to 1982

	<u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
*Employers					
Municipalities	491	489	487	473	465
School Boards	129	126	122	123	123
Other Local Boards	<u>422</u>	<u>422</u>	<u>418</u>	<u>419</u>	<u>405</u>
	<u>1,042</u>	<u>1,037</u>	<u>1,027</u>	<u>1,015</u>	<u>993</u>
*Members Contributing, Employed by					
Municipalities	64,510	63,280	61,875	60,757	59,691
School Boards	32,027	30,828	30,033	29,619	29,428
Other Local Boards	<u>29,584</u>	<u>28,929</u>	<u>27,823</u>	<u>27,110</u>	<u>26,496</u>
	<u>126,121</u>	<u>123,037</u>	<u>119,731</u>	<u>117,486</u>	<u>115,615</u>
*Members Contributing					
Female	46,924	44,827	42,743	41,224	40,119
Male	<u>79,197</u>	<u>78,210</u>	<u>76,988</u>	<u>76,262</u>	<u>75,496</u>
	<u>126,121</u>	<u>123,037</u>	<u>119,731</u>	<u>117,486</u>	<u>115,615</u>
*Normal Retirement Age 65	108,855	106,314	103,420	101,872	100,377
*Normal Retirement Age 60	<u>17,266</u>	<u>16,723</u>	<u>16,311</u>	<u>15,614</u>	<u>15,238</u>
	<u>126,121</u>	<u>123,037</u>	<u>119,731</u>	<u>117,486</u>	<u>115,615</u>
*Terminated Members Who Have Elected a Deferred Pension	<u>3,710</u>	<u>3,326</u>	<u>3,551</u>	<u>3,320</u>	<u>3,464</u>
*Number of Pensioners by Type of Pension					
Normal Retirement	13,442	12,540	11,558	10,550	9,415
Early Retirement	3,341	2,886	2,451	1,986	1,560
Disability Retirement	1,473	1,379	1,232	1,078	870
Spouses and Children	<u>5,031</u>	<u>4,505</u>	<u>4,029</u>	<u>3,631</u>	<u>3,152</u>
	<u>23,287</u>	<u>21,310</u>	<u>19,270</u>	<u>17,245</u>	<u>14,997</u>
*Total Membership Comprising Contributing Members, Deferred Pensions and Pensioners	<u>153,118</u>	<u>147,673</u>	<u>142,552</u>	<u>138,051</u>	<u>134,076</u>
Number of Members					
Enrolled Each Year	11,764	14,475	13,914	13,168	19,023
Number of Members					
Terminated Each Year	<u>8,680</u>	<u>11,169</u>	<u>11,669</u>	<u>11,297</u>	<u>9,438</u>
Net Increase in Membership	<u>3,084</u>	<u>3,306</u>	<u>2,245</u>	<u>1,871</u>	<u>9,585</u>

Unaudited figures

\*Cumulative totals at year end



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Historical Highlights

**1962** — An Act establishing the Ontario Municipal Employees Retirement System was given Royal Assent on April 18th.

**1963** — The first members of the System were enrolled on January 1st and the first contributions received one month later.

**1965** — Amendments were made for the "locking-in" of contributions as required under the Pension Benefits Act.

After July 1, 1965 all persons engaged by a municipality or local board must participate in OMERS to receive pension benefits.

Provision was made for OMERS to manage and administer other pension plans.

**1966** — The contributions and benefits were integrated with the contributions and benefits of the Canada Pension Plan.

Employees of electric utilities became members of OMERS for the first time.

**1967** — The supplementary benefit program was introduced.

**1968** — The eleven member Board was appointed by the Lieutenant Governor in Council on January 1.

The interest rate on the special Provincial debentures issued to OMERS at each year end was increased from 5% to 6½%.

The benefit formula was increased 10% from 2% of career earnings to 2.2% of career earnings.

**1969** — A disabled widower was extended the same benefits as a widow on the death of a member.

**1970** — The interest rate on the special Provincial debentures issued to the Board at each year end was changed from 6½% to the average borrowing costs of the Province during a year.

All basic pension benefits earned or payable on December 31, 1970 were increased by 10%.

**1971** — All basic pension benefits earned or payable at December 31, 1971 were increased by 5%.

In addition to the 50% widows' and disabled widowers' pensions payable on the death of a member, a further pension of 10% for each child of the deceased member to a maximum of 25% was introduced.

**1972** — Councillors became eligible for membership in the System.

All basic pension benefits earned or payable on December 31, 1972 were increased by 5%.

**1973** — An employer could improve the pensions being paid to retired employees through the System.

Rates of interest on special Provincial debentures issued to the Board during the years 1963 to 1969 were retroactively adjusted.

All basic pension benefits earned or payable at December 31, 1973 were increased by 5%.

**1974** — A portion of available funds could be invested in marketable securities under the provisions of the Pension Benefits Act commencing in 1975.

**1975** — All basic pension benefits earned by active and deferred members as at December 31, 1975 were increased by 10%.

All pensions being paid to retired members on December 31, 1975 were increased by 10%.

A widower of a member became entitled to the same 50% pension as a widow on the death of a member.

Board authorized to invest a portion of funds in capital market securities.

**1976** — Optional service, being service with another governmental employer or war service, was added to the supplementary benefit program.

**1978** — Pension formula changed from 2.2% career average earnings basis to a 2% final average earnings basis.

All pensions being paid to retired members on December 31, 1977 were increased by 3% from March 1, 1978.

**1979** — All available funds invested in capital market securities.

**1980** — All pensions being paid to retired members on January 1, 1979 were increased by 4% from January 1, 1981.

**1981** — Spousal benefits no longer cease on remarriage and the reduction in the spouse pension when the spouse is more than 10 years younger than spouse was eliminated.

**1982** All pensions being paid to retired members on December 1, 1981 were increased 4% from July 1, 1982.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Benefits

as at January 1, 1983

### Basic Benefits

**Normal retirement** at age 65 — except policemen and firemen who may retire at age 60.

The annual **normal retirement pension** payable to a member is 2% of pensionable earnings multiplied by years of credited service, reduced when the member becomes entitled to a pension under the Canada Pension Plan. In this formula:

"pensionable earnings" means the annual average of the 60 highest consecutive months of earnings;

"credited service" means service when contributions have been made, transferred in service and past service under a full Type 1 supplementary benefit;

"CPP reduction" means 0.7% of the annual average of the Year's Maximum Pensionable Earnings under the CPP in the year of retirement and the two preceding years times credited service since January 1, 1966.

A **total disability retirement benefit** for a disability that, in the first two years, renders a member incapable of performing the duties of his or her position and thereafter of any substantially gainful employment. The totally disabled member may continue to accrue credited service without contribution until normal retirement age or may elect a disability pension.

A **pension for life to a widow or widower** of one-half the member's pension plus 10% for each child under 21 years of age to a maximum of 25% and, where there is no widow or widower, a pension of one-half the member's pension to the child or children of the member under 21 years of age.

A **deferred pension**, payable at normal retirement age, if a member ceases to be employed before his normal retirement date. The pension benefits earned by a member under the System vest immediately in the member.

An **early retirement pension**, commencing within the 10 year period before normal retirement age payable without reduction if the age and service of the member totals 90 or more or reduced 5% per year.

A **refund** of the contributions of a member plus interest if the member terminates his employment, except if at termination the member has 10 years of continuous service with the employer and is over 45 years of age, then his contributions made after January 1, 1965 may not be refunded.

**Portability** of the credited service if a member transfers employment from one participating employer to another or to other governmental pension plans under special reciprocal transfer agreements.

**Supplementary Benefits** (provided by an agreement between a participating employer and OMERS)

**Full Type 1** — Final Average Earnings, Past Service Pension

The full Type 1 provides for the service of a member before the member's employer participated in OMERS (past service) to become credited service in the basic plan and be fully portable within the System. Any pension earned under a previous pension plan for the same period of past service is deducted from the pension from OMERS.

**Partial Type 1** — Final Average Earnings, Past Service Pension

The partial Type 1 provides a portion of a benefit based on 2% of final average earnings and service before the member's employer participated in OMERS (past service). Any pension earned under a previous pension plan for the same period of past service is deducted from the pension from OMERS.

**Type 2** — Current Average Earnings, Past Service Pension

As of January 1, 1983 this type of supplementary benefit is no longer available although all existing agreements at the end of 1982 will continue to operate and member pension amounts are protected.

**Type 3** — Unreduced Early Retirement Pension for Members with a Normal Retirement Age of 60 Years

The Type 3 benefit provides for payment of an unreduced pension if a member retires within 10 years of normal retirement date under the following conditions:

- (a) completion of 30 or more years of service with the employer, or
- (b) due to permanent partial disability as determined by the employer.

**Type 3** — Unreduced Early Retirement Pension for Members with a Normal Retirement Age of 65 Years

The Type 3 benefit provides for payment of an unreduced pension only if a member retires within 10 years of normal retirement date due to permanent partial disability as determined by the employer.

**Optional Service** — The service of a member with another governmental employer or war service may be added to a Type 1 or Type 2 benefit and the member must contribute on a formula basis to be entitled to this service. This service becomes additional past service of the member.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Summary of Marketable Securities

### as at December 31, 1982

(\$ Thousands)

	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
<b>Short Term</b>	<u>\$312,095</u>	<u>12.8%</u>	<u>10.56%</u>	<u>\$312,095</u>
<b>Bonds</b>				
Government — Canada	\$180,702	7.4%	11.73%	\$182,627
— Provincial	231,942	9.5	12.46	228,962
— Municipal	26,086	1.1	10.93	22,670
Corporate	183,790	7.5	14.48	186,503
Term Loans	45,500	1.9	16.97	45,500
<b>Total Bonds</b>	<u>\$668,020</u>	<u>27.4%</u>	<u>13.07%</u>	<u>\$666,262</u>
<b>Mortgages</b>				
Residential				
— Single Family	\$ 17,381	0.7%	14.86%	\$ 17,495
— Condominium	4,347	0.2	13.06	4,334
— Rental	462,783	19.0	12.74	434,623
Commercial				
— Shopping Centres	54,213	2.2	12.38	49,317
— Office Buildings	62,121	2.5	12.68	57,989
— Hotel	14,787	0.6	15.95	15,289
— Retail	2,376	0.1	10.82	2,097
<b>Total Mortgages</b>	<u>\$618,008</u>	<u>25.3%</u>	<u>12.84%</u>	<u>\$581,144</u>
<b>Equities</b>				
Canada — Individual Stocks				
— Metals and Minerals	\$ 51,333	2.1%	3.40%	\$ 56,695
— Oil and Gas	58,854	2.4	2.80	59,437
— Paper and Forest Products	16,783	0.7	0.62	20,287
— Consumer Products	40,392	1.7	5.70	58,431
— Industrial Products	48,347	2.0	5.66	57,558
— Transportation	7,496	0.3	3.82	7,336
— Pipelines	18,656	0.8	4.48	18,402
— Utilities	39,895	1.6	7.77	50,673
— Communications and Media	17,331	0.7	3.27	18,019
— Merchandising	3,990	0.2	3.40	4,188
— Financial Services	94,263	3.8	8.27	118,854
— Management Companies	19,444	0.8	4.65	20,344
Canada — Mutual Funds	13,339	0.5	2.95	18,915
<b>Total Canadian Equities</b>	<u>\$430,123</u>	<u>17.6%</u>	<u>5.24%</u>	<u>\$509,139</u>

# **ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND** **Summary of Marketable Securities as at December 31, 1982**

(\$ Thousands)

	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
<b>Equities (continued)</b>				
Non-Canadian (Canadian \$)				
United States				
— Individual Stocks				
— Machinery	\$ 4,232	0.2%	5.34%	\$ 4,239
— Metals and Minerals	3,324	0.1	7.87	4,087
— Diversified	14,850	0.6	3.92	19,501
— Office Equipment	11,583	0.5	4.96	15,099
— Oil — International	12,747	0.5	7.45	11,346
— Domestic	7,076	0.3	6.22	6,946
— Oil Well Equipment	9,119	0.4	2.58	7,891
— Drugs	11,180	0.5	5.11	15,305
— Electric Appliances	3,993	0.2	2.78	3,871
— Auto Parts	3,746	0.1	7.09	4,943
— Cosmetics	8,343	0.3	7.38	13,007
— Food	9,869	0.4	7.63	13,996
— Photography	9,322	0.4	5.87	13,043
— Retailing	2,488	0.1	5.73	8,695
— Tobacco	4,690	0.2	9.12	7,270
— Airlines	2,452	0.1	0.62	4,225
— Financial	8,084	0.3	9.04	9,891
— Utilities and Power	11,849	0.5	10.97	14,266
— Mutual Funds	105,386	4.3	1.74	119,792
Pacific — Mutual Funds	4,546	0.2	0.10	6,325
— Managed Fund	22,902	1.0	—	25,821
Europe — Managed Fund	5,005	0.2	0.04	3,797
World — Mutual	8,818	0.3	3.33	13,607
<b>Total Non-Canadian Equities</b>	<b>\$ 285,604</b>	<b>11.7%</b>	<b>3.81%</b>	<b>\$ 346,963</b>
<b>Total Equities</b>	<b>\$ 715,727</b>	<b>29.3%</b>	<b>6.03%</b>	<b>\$ 856,102</b>
<b>Real Estate</b>	<b>\$ 101,517</b>	<b>4.2%</b>	<b>10.46%</b>	<b>\$ 112,624</b>
<b>Venture Capital</b>	<b>\$ 25,137</b>	<b>1.0%</b>	<b>—</b>	<b>\$ 25,137</b>
<b>Total</b>	<b>\$2,440,504</b>	<b>100.0%</b>	<b>9.95%</b>	<b>\$2,553,364</b>

**\*Estimated Market Values**

Bonds:	Quoted values
Mortgages:	Computed on current market yields
Equities:	Quoted values
Real Estate:	Appraised values
Venture Capital:	Cost





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# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

## 1983 ANNUAL REPORT





**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD**

**1983 ANNUAL REPORT**





**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD**  
2 BLOOR STREET WEST (27TH FLOOR), TORONTO, ONTARIO M4W 3E2. (416) 926-2400

April 30, 1984

The Honourable Larry Grossman  
Treasurer of Ontario and  
Minister of Economics  
Frost Building South  
Queen's Park  
Toronto, Ontario  
M7A 1Y7

Dear Mr. Grossman:

I am pleased to present to you the Annual Report of the Ontario Municipal Employees Retirement Board for the year ended December 31, 1983 in accordance with subsection 4(8) of the Ontario Municipal Employees Retirement System Act.

There are 1,046 employers participating in OMERS, comprising 490 municipalities, 133 school boards and 423 other local boards of municipalities. At year end, there were 127,849 employees contributing to the System and 25,613 retired members or their beneficiaries receiving monthly pensions. The invested assets of the Fund, at book value, amounted to \$4,369,000,000 at year end with \$1,293,000,000 invested in special debentures of the Province of Ontario and the balance of \$3,076,000,000 invested in capital market securities with a market value of \$3,429,000,000.

The latest actuarial valuation of the Fund as at January 1, 1983 indicates an actuarial surplus of \$9,803,000 and the Fund continues to be in a fully funded position with current member and employer contribution rates being sufficient to fund the accumulation of pension benefits of members in the foreseeable future.

The responsibility for the management and administration of one of the largest pension plans in Canada on behalf of the employees of local governments in Ontario is a challenging and rewarding experience for the members of the Board.

The accompanying report is respectfully submitted to you.

Yours truly,

A handwritten signature in dark ink, appearing to read 'Grant E. Boyce', written in a cursive style.

Grant E. Boyce  
Chairman of the Board

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# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

as at December 31, 1983



Mr. G. E. Boyce, Chairman  
Superintendent-  
Business Administration  
Sudbury Board of Education



Mr. S. P. Dobbin, Vice Chairman  
Stationary Engineer  
Toronto Board of Education



Mr. C. R. Bernardi  
Past Chairman  
Director of Personnel  
and Labour Relations  
City of Sault Ste. Marie



Mr. G. McIntyre  
Assistant Deputy Minister  
Ministry of Treasury  
and Economics



Mr. R. F. Bevan, Past Chairman  
Past Chairman  
Superintendent  
Niagara Regional Police Force



Mr. A. J. Roberts  
Immediate Past Chairman  
Consumer Relations Representative  
St. Catharines Hydro Electric  
Commission



Mr. P. R. Burke  
Firefighter  
City of Windsor



Mr. D. C. Schaefer  
Commissioner of Finance  
City of Waterloo



Mr. E. W. Matthews  
Reeve  
Sidney Township



Mr. M. Scott  
Mayor  
Township of Lake of Bays

**INVESTMENT POLICY COMMITTEE OF THE BOARD**  
**as at December 31, 1983**

Mr. R. M. MacIntosh, Chairman  
Canadian Bankers' Association

Mr. J. C. C. Wansbrough, Vice-Chairman  
National Trust Company Limited

Mr. H. M. Cunningham  
Cockfield, Cooper, Cunningham  
Investment Counsel Inc.

Mr. N. J. Short  
Guardian Capital Group Limited

Mr. C. R. Bernardi  
Member of the Board

Mr. G. E. Boyce  
Member of the Board

Mr. A. J. Roberts  
Member of the Board

Mr. A. W. Reeve  
Executive Director

Mr. D. A. Beggs  
Director of Investments

**ADVISORS TO THE BOARD**

Mr. R. A. Field, F.C.I.A.  
The Wyatt Company  
Actuary

Mr. Purdy Crawford, Q.C.  
Osler, Hoskin & Harcourt  
Legal Advisor

Mr. R. G. MacKenzie, M.D.  
Medical Advisor

Coopers & Lybrand  
Auditors

**SENIOR STAFF**

Mr. A. W. Reeve  
Executive Director

Mr. G. A. Tyson  
Director of Pension  
Administration

Mr. D. A. Beggs  
Director of Investments

Mr. C. Massouras  
Director of Finance  
and Administration

**COMPOSITION OF THE BOARD**

**Five Employee Representatives:**

Mr. R. F. Bevan, Mr. P. R. Burke, Mr. S. P. Dobbin, Mr. A. J. Roberts, (Mrs. L. McIntosh resigned June, 1983)

**Three Employee Representatives who are "officers" of an employer:**

Mr. C. R. Bernardi, Mr. G. E. Boyce, Mr. D. C. Schaefer.

**Two Elected Representatives:**

Mr. E. W. Matthews, Mr. M. Scott

**One Provincial Official:**

Mr. G. McIntyre.





# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

## 1983 Annual Report

### INTRODUCTION

The Ontario Municipal Employees Retirement Board is responsible for the management and administration of the System. These responsibilities include the establishment of employer rates of contribution, organization and staffing, the receipt and investment of funds, the calculation and payment of benefits, the employer administration function, the enrolment of members, the maintenance of individual member records, communication with members and employers and financial reporting including the actuarial valuation of the Fund.

The Board also undertakes research and studies in benefit development and other current pension matters and makes recommendations to the Treasurer of Ontario for changes to the OMERS Act and regulations.

The Board is comprised of eleven members who are appointed by the Lieutenant Governor in Council to three year terms with about one-third of the membership completing their term each year. As of December 31, 1983, the eleven member Board is comprised of eight employees of local government, two elected officials of local government and one Provincial official.

The OMERS pension program divides into two main parts which are described in detail on schedule 4:

(i) the **basic OMERS plan** under which each participating employer and each member contributes at uniform rates and each member receives a pension benefit based on the same formula;

(ii) the **supplementary benefit program** which establishes pension benefits for the service of a member prior to participation in the basic OMERS plan, optional service entitlements and special early retirement benefits for members with a normal retirement of 60 years of age. These benefits are provided by individual employers for all or groups of employees under an agreement with the Board.

The Board is also authorized to manage and administer other governmental pension plans separate and distinct from OMERS. Under separate agreements, the Board manages the pension plans of Ryerson Polytechnical Institute, the Colleges of Applied Arts

and Technology, the Caucus Employees of the Legislature and a special plan providing pension guarantees related to the restructuring of local electric utilities.

### MAJOR ACTIVITIES — 1983

There were no changes to the Ontario Municipal Employees Retirement System Act during 1983 but there were a number of amendments made to the regulations under the Act.

The regulation changes occurred in January, 1983 and were discussed in detail in the 1982 Annual Report. They are briefly summarized as follows:

- an unreduced early retirement pension is available when the age plus the service of a member totals a factor of 90 or more
- an early retirement pension is reduced 5% for each year prior to the normal retirement age of a member where the 90 factor does not apply, a less severe reduction than required previously
- all prior service agreements were terminated and folded into supplementary benefit agreements (see schedule 4 for a description of supplementary benefits)
- all Type 1 supplementary agreements were valued to determine a "one-time" cost and the past service of the members became credited service in OMERS and portable within the System
- member fixed pensions under Type 2 supplementary agreements are now increased each year at the same rate of increase applied to pensions under payment and no further Type 2 agreements are available
- Type 3 supplementary agreements for members with a normal retirement age of 65 years were eliminated and the member entitlements grandfathered
- Type 3 supplementary agreements for members with a normal retirement age of 60 years were continued

- all member contributions to Type 3 supplementary benefits were treated as voluntary additional contributions.

Later in 1983, the regulation was amended to authorize a 4% increase to pensions under payment as at July 1, 1983 for persons receiving a pension on December 1, 1982. In addition, deferred pensions were granted a similar increase and a special retroactive increase was granted to deferred pensions to equate with past increases to pensions under payment.

During 1983 the Board considered possible changes to the pension benefits arising from requests of member organizations, changes to other public sector plans or recommendations of various pension reform studies. The Board placed priorities on these proposals so that they can be considered for implementation when the financial position of the plan warrants such action.

The Board issued "OMERS UPDATE" three times during 1983. This publication is sent to employers for placement in the workplace and allows members and employers to be informed of the activities of the Board.

The Board held eleven regular meetings in 1983 with two of these meetings held in Cornwall and North Bay. In conjunction with these meetings the Board met with member and employer representatives from the surrounding areas and also held a similar meeting for members and employers in Metropolitan Toronto.

In October, 1983 the Board authorized an organization change establishing a Finance and Administration Division to complement the Pension Administration and Investment Divisions.

Also during 1983 the Board adopted the French language policy of the Province for implementation in designated areas at the request of members in these areas. While certain publications were previously available in the French language, the policy will expand these services to members.

## PENSION PROGRAM

On December 31, 1983 there were 490 municipalities, 133 school boards and 423 other local boards of municipalities participating in the System. At the end of 1983 there were 127,849 contributing members with 51.3% employed by municipalities, 25.5% by school boards and 23.2% by other local boards. This distribution of members by type of employer has

remained virtually unchanged in the last five years. At year end 38% of the contributing members were female and 14% of contributing members had a normal retirement age of 60 years.

## MEMBERSHIP ACTIVITY

Contributing Members, January 1, 1983	126,121
Members enrolled	<u>9,901</u>
	136,022
Members terminated electing a:	
refund of contributions	4,181
deferred pension	438
transfer with OMERS	246
transfer to another plan	71
Disabled members electing a waiver	600
Deaths of contributing members	327
Retirements	<u>2,310</u>
	<u>8,173</u>
	<u>127,849</u>

At year end there were 25,613 retired members or their beneficiaries receiving monthly pensions from OMERS. There were 14,386 retired members receiving normal retirement pensions, 4,034 receiving early retirement pensions and 1,603 receiving disability retirement pensions. In addition, there were 5,590 beneficiaries of members receiving spousal or children's pensions.

## PENSIONER ACTIVITY

Pensioners, January 1, 1983	23,287
Additions from:	
active members	2,091
deferred pensions	211
disability waivers	141
deaths of contributing members	195
deaths of pensioners	405
unsettled claims	<u>100</u>
	<u>3,143</u>
	26,430
Deletions:	
Deaths of pensioners	794
Cessation of children's pensions	<u>23</u>
	<u>817</u>
Pensioners, December 31, 1983	<u>25,613</u>

The number of pensioners has been steadily increasing as a percentage of active members and at the end of 1983 represented 20% of active members. In 1979 this percentage was 15% of active members.

One of the purposes of establishing OMERS as a multi-employer plan for municipalities and local boards was to allow a pooling of the larger and smaller municipalities and make it possible for smaller groups of

employees to have adequate pensions at reasonable and stable member and employer costs. At the end of 1983, 561 or 54% of the participating employers had fewer than 25 employees and the average was 9 employees or 4% of the total membership. There were 60 employers, representing only 6% of all employers with 500 or more employees and these represented nearly 60% of the total membership. This "pooling" of large and small has allowed OMERS to meet one of its initial objectives and provide pension benefits on a par with most other public sector pension plans and the benefits have been financed on a sound fully-funded basis.

In 1969 the supplementary benefit program was introduced to provide past service benefits and special early retirement provisions under an agreement between an employer and the Board. During the 1969-1982 period, 321 such agreements were entered into with separate accounts kept for each agreement. The costs were provided by the employer and, in many instances, shared by the covered members.

Major changes were made to this program as at January 1, 1983. At the end of the year there were only 53 supplementary agreements still in operation to provide special early retirement benefits for members with a normal retirement age of 60 years. The past service component of the supplementary agreements became part of the basic plan. The costs for the past service were provided by a transfer of assets from the supplementary agreements and annual payments to be made in the future by employers.

At the end of 1983 there were 8,127 members covered for past service with such service recognized as credited service in the basic plan and thus fully portable within the System. 1,774 members were covered with a past service pension of a fixed amount which will now be increased each year at the same rate of increase applied to pensions under payment.

There were 13,898 members with a normal retirement age of 65 years, who were covered under a supplementary agreement providing for special early retirement options after 30 years of service. These members will continue to have this entitlement even though the Type 3 supplementary benefit program for these employees was discontinued with the introduction of the 90 factor for determining eligibility for unreduced early retirement. The 11,309 members with a normal retirement age of 60 years continue to be provided the special early retirement option after

30 years of service under continuing supplementary agreements.

At the end of 1983 there were 3,721 members who had terminated their employment, left their contributions in the System and were entitled to receive a deferred pension benefit at normal retirement age. As indicated earlier, these amounts of pension will now be increased each year at the same rate as increases to pensions under payment and a retroactive adjustment was made in 1983 to reflect past pension increases.

The following table summarizes the results of the actuarial valuation of the Fund as at January 1, 1983 with comparative figures for January 1, 1982:

(\$ Thousands)	Actuarial Valuation Results	
	As at January 1	
	1983	1982
Actuarial Liabilities		
Present Value of:		
Pensions under payment	\$ 573,415	\$ 462,263
Vested deferred benefits	20,151	15,509
Benefits for present contributors and their survivors	<u>2,914,863</u>	<u>1,994,651</u>
	<u>\$3,508,429</u>	<u>\$2,472,423</u>
Assets:		
Fund assets at January 1	<u>\$3,518,232</u>	<u>\$2,640,372</u>
ACTUARIAL SURPLUS	<u>\$9,803</u>	<u>\$167,949</u>

The above results are based on current actuarial assumptions which include an estimate that salaries will increase 8% each year in the future, the Fund will earn 8% on investments up to the retirement or termination of a member and 7% thereafter and the Year's Maximum Pensionable Earnings under the Canada Pension Plan will increase 12½% per year until 1986 and 6% each year thereafter.

The valuations are based on an actuarial method referred to as the "unit credit cost" method which is the minimum funding requirement under the Pension Benefits Act (Ontario). The present value of liabilities for current contributing members is based on credited service to the date of the valuation and earnings projected to retirement. Based on the above results OMERS is fully-funded in that sufficient funds are on hand to provide for all current liabilities.

The liabilities for present contributors increased substantially (46%) between January 1, 1982 and January 1, 1983. This was due to the inclusion of liabilities related to the introduction of the "90 Factor"

early retirement, average salaries increasing approximately 13% in 1982 and the inclusion of past service liabilities with the transfer of Type 1 and Type 2 supplementary benefit agreements to the basic plan. Assets also increased due in part to a transfer of assets from the supplementary agreements. The actuarial position of the Fund on January 1, 1983 reflects approximately the financial position expected following the introduction of the "90 Factor" early retirement and the changes to the supplementary benefit program.

The transfer of past service supplementary benefits to the basic plan, the introduction of the "90 Factor" early retirement benefits and the introduction of regular increases to pensions under payment and deferred pensions have all been achieved within the existing member and employer contribution structure and without affecting the financial soundness of the System.

## INVESTMENT PROGRAM

The flow of funds for investment are derived from a number of sources. These include member and employer contributions to the basic plan, less benefits paid, employer contribution for past service and special early retirement provisions for members with a normal retirement age of 60 years, investment income and net member and employer contributions from the pension plans managed by OMERS. All of these funds are pooled for investment purposes and the following comments on the investment program refer to the total investments. At the end of 1983 approximately 88% of the investments relate to the basic OMERS plan, 11% to the managed plans and 1% to the few continuing supplementary agreements.

The following table shows the invested assets as at December 31, 1983 comparing the amortized cost and the market values for different asset classes:

(\$ Thousands)	Investments As At December 31, 1983			
	Amortized Cost		Market Value	
Short Term	\$ 115,063	4%	\$ 115,063	4%
Bonds	911,644	30	893,454	26
Mortgages	767,418	25	790,663	23
Equities	1,078,744	35	1,406,256	41
Venture Capital and Special	48,707	1	48,707	1
Real Estate	153,967	5	174,391	5
Capital Market Investments	\$3,075,543	100%	\$3,428,534	100%
Special Provincial Debentures	1,293,025			
Total Investments	\$4,368,568			

The total investments at amortized cost at the end of 1982 amounted to \$3,733,529,000 and increased 17% during 1983. However, the marketable portion of the portfolio grew 26% in 1983. Investments in special Provincial debentures was discontinued in 1978 and during the last five years all funds available for investment have been invested in capital market securities. The special Provincial debentures now make up only 30% of the total Fund investments. The market value of the capital market securities shows an unrealized capital gain of \$352,991,000 at the end of 1983 or 11% greater than the amortized cost of the investments.

There is one standing committee of the Board, the Investment Policy Committee, which includes three board members, two senior staff and four investment specialists appointed by the Board. This committee meets monthly and is responsible for recommending to the Board for approval the longer term asset mix policy and the criteria and guidelines to allow staff to undertake day to day investments on behalf of the Board. The Investment Policy Committee also approves quarterly investment programs and certain types of investments.

The current asset mix policy, which has been adopted to provide a reasonable expectation of exceeding future liabilities with a low risk of falling short of this objective, is as follows:

Class of Asset	Asset Mix Policy			Year-End Position
	Policy Range			
	High	Mid-Point	Low	
Short Term	35%	2%	0%	4%
Debt Investments:				
Bonds	46%	23%	16%	24%
Term Loans	5	3	2	2
Mortgages	43	23	17	23
	65%	49%	35%	49%
Equity Investments:				
Equities	60%	44%	30%	42%
Real Estate	10	5	2	5
	70%	49%	32%	47%
Total Investments		100%		100%

The Board targets the asset classes to the mid-point of the policy range based on the market values of the assets. As can be seen the actual position of the Fund at the end of 1983 was almost at the mid-point.

The average return on the capital market securities for the last five years based on a calculation where the



net investment income (income less direct investment expenses) is divided by the average book value of investments, weighted monthly is as follows:

Year	Capital Market Securities	Total Fund
1983	11.6%	10.8%
1982	12.1	10.9
1981	12.1	10.6
1980	10.7	9.7
1979	10.9	9.6

At the beginning of 1983 there was general agreement among forecasters that the "recession" of 1981/82 was near an end and that there would be a modest improvement in the economy measured by a 2% growth in the Gross National Product in real terms, unemployment would remain high around the 13% range and that inflation reflected in the Consumer Price Index would be in the 7-8% range. In actual fact, based on the above three indicators, the 1983 economic performance was much better than expected. The Gross National Product in real terms grew 3%, the unemployment rate averaged 11.9% and the Consumer Price Index plunged to an eleven year low of 4.2% in November, 1983. Other 1983 economic highlights saw:

- industrial production climb nearly 20%
- industrial capacity utilization rise to 75% from 65%
- productivity (measured by real output per employee) rise at an annual rate of 3%
- corporate profits rise an estimated 53% during the year
- the Toronto Stock Exchange composite index rise 33% during the year ending almost 90% above the mid-1982 recession low
- interest rates remain remarkably stable during the year.

The major change in portfolio of capital market securities at the end of 1983 compared to the end of 1982 was a reduction in short term securities from 12% of the portfolio to 4% and an increase in equity investments from 39% to 47% of the portfolio.

A comparison of the portfolio at market value at the end of 1983 and 1982 is as follows:

(\$ Thousands)	Market Value as at December 31				
Class of Asset	1983		1982		Net Increase
	\$	%	\$	%	
Short Term	\$ 115,063	4	\$ 312,095	12	\$(197,032)
Debt					
Investments	1,684,117	49	1,247,407	49	436,710
Equity					
Investments	1,629,354	47	993,862	39	635,492
Total	\$3,428,534	100	\$2,553,364	100	\$ 875,170

On an amortized cost basis, the debt investments increased \$393 million during 1983 and equity investments increased \$439 million while short term investments decreased \$197 million for a net increase of \$635 million. In fact, actual purchases of debt and equity investments totalled \$1,384 million in 1983 and sales or redemptions totalled \$550 million.

Schedule 5 of this report provides details of the investments at the end of 1983 at both amortized cost and market values. The following are brief highlights of the major transactions during the year:

- short term holdings were reduced in 1983 to accommodate purchases of other asset classes and at year end the short term portfolio was near the policy target established by the Board
- bond investments held the share of the portfolio within the policy adopted for this class of asset and investments were structured to reduce potential losses from a possible return to higher interest rates in the longer term. Trading in this portion of the portfolio produced capital gains in excess of \$2 million
- three quarters of the funds invested in mortgages were directed to residential properties insured by Central Mortgage and Housing Corporation and 25% to commercial mortgages. This segment of the portfolio maintained a level consistent with the asset mix policy
- the term lending portion of the portfolio increased 66% from \$45 million to \$75 million during 1983
- the equity portion of the portfolio increased due to higher market values at the end of 1983 compared to 1982 and further investments were made in Canadian stocks and in foreign stocks, invested on behalf of OMERS by investment consulting firms. Realized capital gains from the sale of equities amounted to \$45 million during the year

- investments in real estate increased 54% with over \$50 million invested during the year in a variety of real estate vehicles
- the special situation portion of the portfolio includes oil and gas investments, venture capital investments and private placements. These increased \$53 million or 75% during the year.

This aspect of the management and administration of OMERS continues to be a major responsibility of the Board. Care is taken to ensure that the investment of available funds maximizes the value of invested capital over time through the addition of investment income and capital appreciation and at the same time ensure the safety of the Fund. The investment earnings in 1983 equalled the total of member and employer contributions to the basic plan whereas five years ago investment earnings were only two-thirds of total contributions.

## FINANCE AND ADMINISTRATION PROGRAM

The following is a summary of the significant financial transactions during the year:

- member contributions to the basic plan amounted to \$180 million in 1983, an increase of only 5% over 1982 member contributions
- employer contributions during the year included \$182 million matching the member contributions, plus \$10 million of interest on instalment payments for past service and an initial amount of \$125 million from the transfer of past service pension liabilities from the supplementary benefit reserve to the basic benefit reserve (the offsetting account receivable is shown on the balance sheet as a long term receivable)
- investment income totalled \$425 million with \$7 million credited to supplementary benefit agreements and \$47 million credited to managed plans
- assets totalling \$4 million held under prior service agreements were transferred to supplementary agreements in 1983 and \$136 million of supplementary agreement assets were transferred to the basic benefit reserve with the wind-up of the prior service agreements and the conclusion of funding supplementary agreements as separate pension plans
- at the end of 1983, supplementary benefit agreements continued to be operated as separate pension plans for special early retirement benefits for members with a normal retirement age of 60 years and assets in these agreements totalled \$65 million
- \$69 million was paid during 1983 in the form of monthly pensions to retired members or their beneficiaries, an increase of 25% over payments in 1982
- member contributions refunded amounted to \$26 million in 1983 with \$16 million representing payments to terminating members and \$10 million of transfers to registered retirement savings plans from member supplementary benefit contributions
- \$28 million was returned to employers as surplus funds due to the changes to the supplementary benefit program noted earlier.

The administration of OMERS includes pension administration for the basic plan, the supplementary benefit program and the four Managed Plans administered by the Board under agreement but which are separate and distinct from OMERS. The Board receives management fees for the administration of the supplementary benefit program and the managed plans. However, with the major change to the operation of supplementary benefits that took place in 1983, the fees recovered by the Board were \$319,000 less than in 1982.

The administration also includes expenses directly related to the investment of funds in capital market securities and these expenses are increasing each year as this portfolio continues to grow into one of the largest pools of pension fund capital in Canada. Certain costs such as commissions on the purchase and sale of common-stocks are added to the purchase price or deducted from the sale price of the investment. Servicing fees for mortgages and funds managed on behalf of the Board are deducted from related investment income as are banking and custodial charges.

In addition to the pension administration and direct investment expenses, there are expenses related to accounting, data processing and general office management. All of the administrative expenditures of OMERS are paid from the Fund and the Board controls the administrative expenses by applying the following expenditure guideline:

- 1% of member and employer contributions to the basic OMERS plan
- 1/10 of 1% of the capital market securities at amortized cost at year end, plus
- management fee recoveries.

The administrative expenses for 1983 amounted to \$5,289,000. Management fees of \$40,000 were recovered from the supplementary agreements still in operation and \$473,000 from the managed plans. 1% of member and employer contributions amounted to \$3,619,000 and 1/10 of 1% of the capital market securities amounted to \$3,076,000. The total expenditure guideline for 1983 amounted to \$7,215,000 and the expenditures of \$5,289,000 represented 74% of the guideline.

The following table summarizes the net administrative expenses and the expenditure guideline for the last five years.

#### ADMINISTRATIVE EXPENDITURES AND GUIDELINES

(\$ Thousands)	Administrative Expenditures	Expenditure Guideline	Percentage
Year			
1983	\$5,289	\$7,215	74
1982	4,362	6,613	66
1981	3,472	5,431	64
1980	2,856	4,382	65
1979	2,277	3,568	64

The above table indicated that the Board continues to operate the System well within the guidelines established for overall control.

60% of the administrative expenses of OMERS are related to salaries and fringe benefits and 25% are related to services such as professional services, office accommodation, computer time rental and special research and information services for the investment program.

During 1983 over \$69 million was paid as pensions to retired members or their beneficiaries. This represents an increase of 25% over pension payments in 1982. The following table compares pension payments to member and employer contributions during the last five years.

#### COMPARISON OF PENSION PAYMENTS TO

##### CONTRIBUTION INCOME

(\$ Thousands)	Pension Payments	Contributions	Percentage
Year			
1983	\$69,315	\$361,937	19.2
1982	55,305	334,008	16.6
1981	45,128	288,934	15.6
1980	35,480	252,744	14.0
1979	28,303	223,587	12.7

The pension payments are becoming a larger proportion of contribution income indicating a maturing of the plan. During the same period however, the investment income became a larger contribution to total income and pension payments as a percentage of both contribution income and investment income was relatively stable during the five year period ranging from 7.8% in 1979 to 9.5% in 1983.

As indicated earlier in this report, the Board, under agreement, manages and administers four pension plans separate and distinct from OMERS. These plans have a combined contributing membership of 14,700 employees and monthly pensions are paid to 1,104 retired employees or their beneficiaries. At the end of 1983 the Board held deposits of almost \$500 million representing the investments of these pension plans. These deposits are pooled with other funds of OMERS into a single investment program.

Much of the day to day administration of OMERS is performed by the employees of the 1,046 local government employers participating in the System. The participating employer is the first line of communication regarding OMERS with each employee and a word of credit is due this group of "OMERS' administrators" for the fine work they do. The authorized staff complement for 1983 was 107 employees with approximately one-third employed in each of the pension program, the investment program and the finance and administration program. This compares to an authorized complement of 102 employees in 1982 and 93 in 1981.

#### THE BOARD AND ITS ADVISORS

Changes to the membership of the Board during the year occurred in January, 1983 when Mr. Ted Matthews, Reeve of Sidney Township, was appointed to the Board for a one-year term and in May, 1983 when Mrs. Lenore McIntosh resigned from the Board. In December, 1983 Messrs. Burke and Matthews were re-appointed to the Board for three year terms ending December 31, 1986; Mrs. Anne Newman, an employee of the Municipality of Metropolitan Toronto, was

appointed to the Board for a three year term replacing Mrs. McIntosh; and Mr. Merv Beckstead, Chief Administrative Officer of the City of Nepean, was appointed to the Board for a three year term replacing Mr. Don Schaefer who had served on the Board for six years.

Mr. Grant Boyce was appointed Chairman of the Board in January, 1983 and Mr. Sam Dobbin was appointed Vice-Chairman of the Board. Messrs. Boyce, Bernardi and Roberts were appointed to the Investment Policy Committee of the Board for 1983.

During 1983 Mr. R. A. Field of the Wyatt Company continued as actuary to the Board, Mr. Purdy Crawford of Osler, Hoskin & Harcourt served as legal advisor and Dr. R. G. McKenzie was the Board's medical advisor. The firm of Coopers & Lybrand were the auditors of the Fund for 1983.

## CONCLUSION

OMERS continued to be in a sound financial position with assets on hand exceeding liabilities for pensions under payment to retired members and their beneficiaries, vested deferred pensions and pensions earned to date by contributing members. In addition, the rates of contribution for members and employers are sufficient to fund the accrual of pension benefits in the foreseeable future.

This strong financial position has continued following the introduction of the "90 Factor" unreduced early retirement benefit, the major restructuring of the supplementary benefit program and the establishment of a method of regular annual increases to pensions under payment.

In April, 1984 the Government released the Ontario Proposals for Pension Reform culminating many years of study into public and private pensions in the Province. This will have an impact on OMERS but the Board is hopeful that such changes will not seriously erode the strong financial position of the Fund.

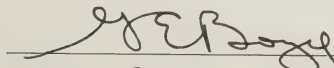
The Board is responsible for the management and administration of OMERS, the continued growth, changes and improvements in the pension area, the remarkable growth of the investment program in capital market securities and all of the attendant administrative duties associated with both pensions and investments. This responsibility provides an exciting challenge to the Board. The members of the Board and the staff of the System undertake this responsibility on behalf of the thousands of municipal employees, both active and retired, and feel privileged to be able to serve local government in Ontario.

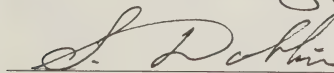


# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Balance Sheet as at December 31, 1983

	(1983) (000's)	(1982) (000's)
<b>Assets</b>		
Investments (note 2)	\$4,368,568	\$3,733,529
Long term receivables (note 4)	116,900	—
Leasehold improvements (note 1)	301	—
Contributions receivable	47,204	34,479
Accounts receivable	491	440
Accrued income	103,660	38,007
Cash	10	5
	<u>\$4,637,134</u>	<u>\$3,806,460</u>
<b>Reserves and Liabilities</b>		
Reserves for:		
basic benefits (note 3)	\$4,070,275	\$3,191,720
prior service benefits (note 4)	—	4,361
supplementary benefits (note 4)	64,594	190,304
	<u>\$4,134,869</u>	<u>\$3,386,385</u>
Deposits from administered pension funds (note 5)	\$ 499,299	\$ 413,160
Accounts payable and accruals	2,938	6,874
Pension benefits payable	28	41
	<u>\$4,637,134</u>	<u>\$3,806,460</u>
Signed on behalf of the Board		

 Member

 Member

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Statement of the Reserves

for the year ended December 31, 1983

	Basic Benefits Reserve (000's)	Prior Service Benefits Reserve (000's)	Supple- mentary Benefits Reserve (000's)	Total (000's)	1982 (000's)
<b>Balance, beginning of year</b>	<u>\$3,191,720</u>	<u>\$4,361</u>	<u>\$190,304</u>	<u>\$3,386,385</u>	<u>\$2,785,377</u>
<b>Increases in Reserves</b>					
Contributions of:					
• Members	179,814			179,814	170,918
• Employers, current service	182,123		4,069	186,192	206,986
• Employers, unfunded liabilities (note 4)	<u>124,521</u>			<u>124,521</u>	
	<u>486,458</u>		<u>4,069</u>	<u>490,527</u>	<u>377,904</u>
Interest income on unfunded liabilities	<u>9,794</u>			<u>9,794</u>	
Income earned from investments	<u>418,325</u>		<u>6,715</u>	<u>425,040</u>	<u>355,876</u>
Administrative expenditures recovered from:					
• Supplementary benefits reserve	40			40	414
• Administered pension funds (note 5)	<u>473</u>			<u>473</u>	<u>418</u>
	<u>513</u>			<u>513</u>	<u>832</u>
Transfer to basic benefits reserve from:					
• Prior service benefits reserve					528
• Supplementary benefits reserve	<u>140,815</u>			<u>140,815</u>	<u>45,110</u>
	<u>140,815</u>			<u>140,815</u>	<u>45,638</u>
Transfer to supplementary benefits reserve from:					
• Prior service benefits reserve		<u>4,361</u>		<u>4,361</u>	<u>81</u>
<b>Total Increases</b>	<u>1,055,905</u>		<u>15,145</u>	<u>1,071,050</u>	<u>780,331</u>
<b>Decreases in Reserves</b>					
Members' pensions	69,315			69,315	55,305
Members' contributions plus interest refunded	26,115			26,115	16,064
Transfers to other pension plans	1,347			1,347	1,619
Income credited to administered pension funds (note 5)	47,192			47,192	39,341
Closing supplementary agreements	28,092			28,092	16,500
Transfers to basic benefits reserve for:					
• Pension present value			5,198	5,198	28,869
• Members' contributions plus interest refunded					16,675
• Transfers to other pension plans					5
• Other					88
• Closing supplementary agreements			<u>135,617</u>	<u>135,617</u>	
			<u>140,815</u>		
• Administrative expenses			40	40	414
Transfer to supplementary benefits reserve for:					
• Closing prior service agreements		<u>4,361</u>		<u>4,361</u>	<u>81</u>
Administrative expenditures	<u>5,289</u>			<u>5,289</u>	<u>4,362</u>
<b>Total Decreases</b>	<u>177,350</u>	<u>4,361</u>	<u>140,855</u>	<u>322,566</u>	<u>179,323</u>
<b>Balance, end of year</b>	<u>\$4,070,275</u>	<u>\$—</u>	<u>\$ 64,594</u>	<u>\$4,134,869</u>	<u>\$3,386,385</u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Schedule of Administrative Expenditures

for the year ended December 31, 1983

	(1983) (000's)	(1982) (000's)
<b>Personnel Services Including Employee Benefits</b>		
Salaries of regular staff	\$2,628	\$2,252
Salaries of casual staff	84	60
Pensions	193	165
Employee benefits	198	143
	<u>\$3,103</u>	<u>\$2,620</u>
<b>Transportation and Communication</b>		
Travel	\$ 123	\$ 87
Telephone	141	111
Postage and express	116	86
	<u>\$ 380</u>	<u>\$ 284</u>
<b>Purchase of Services</b>		
Actuarial	\$ 105	\$ 139
Audit	60	45
Medical	18	14
Legal	233	95
Other professional	45	38
Recruitment and training	10	34
Office rental	502	381
Computer processing	207	208
Equipment maintenance	13	10
Insurance	3	3
Board's services	110	106
Research and information	67	56
	<u>\$1,373</u>	<u>\$1,129</u>
<b>Materials and Supplies</b>		
Furniture and equipment purchases	\$ 83	\$ 57
Supplies and stationery	165	111
Publications for members and employers	110	128
Office alterations	—	33
Amortization of Leasehold Improvements	75	—
	<u>\$ 433</u>	<u>\$ 329</u>
<b>Total Expenditures</b>	<u><u>\$5,289</u></u>	<u><u>\$4,362</u></u>
<b>Distribution</b>		
• Pensions	\$2,959	\$2,721
• Investments	2,330	1,641
	<u><u>\$5,289</u></u>	<u><u>\$4,362</u></u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements

### for the year ended December 31, 1983

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Investments*

Investments are recorded in the accounts at cost. Gains or losses on their disposal are credited or charged to income. Income from investments is recorded on the accrual basis.

##### *Contributions*

Member and employer contributions received subsequent to the year-end, but which are applicable to the current year, are recorded as receivables.

##### *Benefits*

Payments for benefits are recorded in the year in which such payments are made.

##### *Fixed Assets*

Leasehold improvements are recorded at cost less accumulated amortization. The basis of amortization is straight-line over a 5 year period.

#### 2. INVESTMENTS

The following is a description of the investments:

- (a) Province of Ontario debentures issued under section 8(4) of the Ontario Municipal Employees Retirement System Act.

<u>Date of Maturity</u>	<u>Weighted Average Interest Rate</u>	<u>Cost (000's)</u>
December 31, 1993	8.06%	\$ 129,500
December 31, 1994	9.50%	148,825
December 31, 1995	9.70%	182,250
December 31, 1996	6.00%	20,100
December 31, 1997	6.30%	24,900
December 31, 1998	7.21%	33,100
December 31, 1999	8.19%	46,700
December 31, 2000	9.10%	57,600
December 31, 2001	7.85%	75,000
December 31, 2002	9.50%	265,800
December 31, 2003	9.45%	187,950
December 31, 2006	9.77%	121,300
		<u>\$1,293,025</u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements

for the year ended December 31, 1983

### 2. INVESTMENTS (continued)

The weighted average interest rate on the total investment in Ontario debentures is 9.07%.

Market value for the Ontario debentures has not been determined as these debentures have no quoted market value. The values stated remain unchanged from those reported at December 31, 1982.

- (b) Investments commencing September 30, 1975 under section 8(6) of The Ontario Municipal Employees Retirement System Act which are subject to the limitations of the regulations of The Pension Benefits Act.

	1983 (000's)		1982 (000's)	
	Market Value	Cost	Market Value	Cost
Short Term Deposits	\$ 115,063	\$ 115,063	\$ 312,095	\$ 312,095
Bonds & Debentures	893,454	911,644	666,262	668,020
Mortgages	790,663	767,418	581,144	618,008
Equities	1,406,256	1,078,744	856,102	715,728
Venture Capital & Special	48,707	48,707	25,137	25,137
Real Estate	174,391	153,967	112,624	101,516
	<u>\$3,428,534</u>	<u>\$3,075,543</u>	<u>\$2,553,364</u>	<u>\$2,440,504</u>

Market value is quoted value for bonds, debentures and equities.

Market value for mortgages is computed based on market yields.

Market value for real estate is appraised value as provided by our property managers.

Market value for venture capital has been assumed to equal the cost due to the special nature of the investment.

- (c) Total investments at cost \$4,368,568,000 \$3,733,529,000

### 3. BASIC BENEFITS RESERVE

The basic benefits reserve is maintained for the payment of pensions to retired members or their beneficiaries and the future payment of pensions and benefits to contributing members and to terminated members who have elected a deferred pension.

Effective January 1, 1983 new rules were introduced which permit a member to retire on full benefits, within 10 years of normal retirement, if the sum of the member's age and years of service equals or exceeds 90. This change had the effect of reducing the actuarial surplus by \$159,400,000.

The latest actuarial valuation of the Fund dated January 1, 1983 determined the total actuarial liabilities of the Fund for basic benefits to be \$3,508,429,000 using the unit credit cost method. The adjusted book value of accumulated assets at that date was \$3,518,232,000 resulting in an actuarial surplus of \$9,803,000.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements for the year ended December 31, 1983

### 3. BASIC BENEFITS RESERVE (continued)

The results of the actuarial valuation projected to December 31, 1983, indicate that the existing levels of member and employer contributions are sufficient to meet the cost of benefits earned from January 1, 1983 to December 31, 1983.

### 4. SUPPLEMENTARY BENEFITS RESERVES

Under the terms of The Ontario Municipal Employees Retirement System Act various participating employers have entered into agreements with the Board for the provision of supplementary benefits. The supplementary reserves represent the net assets available for payment of benefits under the agreements. Each employer is responsible, individually, for the funding of such benefits.

Effective January 1, 1983 all assets and liabilities with respect to prior service agreements were transferred to the supplementary reserve. On the same date, the assets and liabilities of most supplementary agreements were then transferred to the basic OMERS plan.

Where the assets transferred from the previous agreements were not sufficient to provide for the liabilities, the unfunded amounts were identified and are being paid off by the participating employers. Such unfunded liabilities are now recorded in the basic benefits reserve and are offset by a long-term receivable from the participating employers, to be paid, with interest, over a period not to exceed 15 years. For any previous agreements where the assets were in excess of liabilities, the resulting surplus was refunded to the participating employers.

### 5. ADMINISTERED PENSION FUNDS

The administered pension funds (which form part of the Fund and which are administered on behalf of the Ontario Council of Regents for Colleges of Applied Arts and Technology, the Ryerson Polytechnical Institute, the members of the Legislative Assembly as represented by the Board of Internal Economy [The Caucus Employees Retirement Fund] and the Minister of Energy for the Province of Ontario [The Ontario Hydro Guarantee Fund]) are credited with amounts which are equal to the income earned by the Fund from the investment of the monies deposited in the Fund by the administered pension funds. The Ontario Municipal Employees Retirement Board is authorized under the terms of the various management agreements to recover its expenses for administering the aforementioned plans.

### 6. COMMITMENTS

Total investment commitments outstanding at December 31, 1983 amounted to approximately \$255,000,000 of which \$167,000,000 relates to mortgages, \$55,000,000 to real estate, \$1,000,000 to term lending and the remaining \$32,000,000 to venture capital.

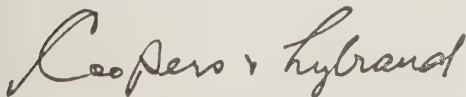
The administration of the Fund is conducted on leased premises and the Fund has entered into a lease agreement which involves a minimum annual base rental of \$518,190 to January 31, 1988.

March 30, 1984

AUDITORS' REPORT TO THE  
ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

We have examined the balance sheet of the Ontario Municipal Employees Retirement Fund as at December 31, 1983, and the statement of the reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1983 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A stylized, handwritten signature in dark ink that reads "Coopers & Lybrand". The script is fluid and cursive, with the ampersand being particularly prominent.

CHARTERED ACCOUNTANTS

THE *Wyatt* COMPANY

PENSION PLANS  
EMPLOYEE BENEFITS  
INTERNATIONAL BENEFITS  
RISK MANAGEMENT  
COMPENSATION PROGRAMS  
EMPLOYEE COMMUNICATIONS

ACTUARIES & CONSULTANTS  
141 ADELAIDE STREET W.  
SUITE 606  
TORONTO, ONTARIO M5H 3L5  
(416) 862-0393

HALIFAX MONTREAL  
OTTAWA TORONTO  
CALGARY VANCOUVER  
AND  
PRINCIPAL CITIES  
AROUND THE WORLD

Actuarial Certificate at December 31, 1983

Ontario Municipal Employees Retirement Board

The most recent actuarial valuation of the above Plan was conducted at January 1, 1983 using the unit credit cost method.

The results of the valuation disclosed total actuarial liabilities of \$3,508.429 million in respect of benefits accrued for service to January 1, 1983. The adjusted book value of accumulated assets at that date was \$3,518.232 million indicating an actuarial surplus of \$9.803 million.

The results of the valuation at January 1, 1983 also indicated that the existing levels of employee and employer contributions are sufficient to meet the cost of benefits to be earned each calendar year until the next actuarial valuation is made.

We are of the opinion, therefore, that the assets of the Fund at December 31, 1983 are sufficient to meet all the liabilities of the Plan in respect of services rendered by members up to that date.

Respectfully submitted

THE WYATT COMPANY

*Alvin Field*

April 11, 1984

R. Alvin Field, F.S.A.  
Fellow, Canadian Institute of Actuaries



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## 5 Year Review of Financial Data — 1979 to 1983

(\$ Thousands)	1983	1982	1981	1980	1979
*Investments at Cost					
Provincial Debentures	\$1,293,025	\$1,293,025	\$1,293,025	\$1,293,025	\$1,293,025
Marketable Securities	<u>3,075,543</u>	<u>2,440,504</u>	<u>1,776,764</u>	<u>1,215,409</u>	<u>758,997</u>
	<u>\$4,368,568</u>	<u>\$3,733,529</u>	<u>\$3,069,789</u>	<u>\$2,508,434</u>	<u>\$2,052,022</u>
*Reserve for Basic Benefits	\$4,070,275	\$3,191,720	\$2,604,125	\$2,118,691	\$1,718,763
Funds Held for:					
Prior Service	—	4,361	4,714	4,929	5,040
Agreement Reserve					
Supplementary Benefit					
Agreement Reserve	64,594	190,304	176,539	153,088	135,544
Managed Plans	<u>499,299</u>	<u>413,160</u>	<u>340,059</u>	<u>276,819</u>	<u>226,768</u>
	<u>\$4,634,168</u>	<u>\$3,799,545</u>	<u>\$3,125,437</u>	<u>\$2,553,527</u>	<u>\$2,086,115</u>
Investment Income Earned					
Basic Plan	\$371,133	\$298,605	\$238,447	\$177,907	\$137,381
Prior Service Agreements	—	225	235	246	95
Supplementary Benefit Agreements	6,715	17,704	14,318	12,703	11,613
Managed Plans	<u>47,192</u>	<u>39,341</u>	<u>31,479</u>	<u>23,930</u>	<u>19,202</u>
	<u>\$425,040</u>	<u>\$355,875</u>	<u>\$284,479</u>	<u>\$214,786</u>	<u>\$168,291</u>
Contributions Received for:					
Basic Plan	\$496,252	\$336,368	\$289,121	\$253,571	\$226,440
Prior Service Agreements	—	32	32	32	32
Supplementary Benefit Agreements	<u>4,069</u>	<u>41,504</u>	<u>37,507</u>	<u>29,768</u>	<u>27,836</u>
	<u>\$500,321</u>	<u>\$377,904</u>	<u>\$326,660</u>	<u>\$283,371</u>	<u>\$254,308</u>
Payments to Members					
Pensions Paid	\$ 69,315	\$ 55,304	\$ 45,128	\$ 35,480	\$ 28,303
Contributions and					
Interest Refunded	26,115	16,064	21,676	17,822	27,142
Transfers to Other Plans	<u>1,347</u>	<u>1,619</u>	<u>1,106</u>	<u>1,050</u>	<u>653</u>
	<u>\$ 96,777</u>	<u>\$ 72,987</u>	<u>\$ 67,910</u>	<u>\$ 54,352</u>	<u>\$ 56,098</u>
Administrative Expenditures					
and Recoveries					
Pension Program					
Gross	\$ 2,959	\$ 2,721	\$ 2,399	\$ 2,133	\$ 1,809
Fee Recoveries	<u>513</u>	<u>832</u>	<u>765</u>	<u>640</u>	<u>573</u>
Net	\$ 2,446	\$ 1,889	\$ 1,634	\$ 1,493	\$ 1,236
Investment Program	<u>2,330</u>	<u>1,641</u>	<u>1,073</u>	<u>723</u>	<u>468</u>
	<u>\$ 4,776</u>	<u>\$ 3,530</u>	<u>\$ 2,707</u>	<u>\$ 2,216</u>	<u>\$ 1,704</u>
Average Yield on Investments					
Provincial Debentures	9.07%	9.07%	9.07%	9.07%	9.07%
Marketable Securities	11.66%	12.13%	12.09%	10.71%	10.88%
Total Portfolio	10.80%	10.91%	10.63%	9.74%	9.55%

Unaudited figures

\*the amount shown for each year as at December 31 is cumulative

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## 5 Year Review of Selected Data — 1979 to 1983

	1983	1982	1981	1980	1979
*Employers					
Municipalities	490	491	489	487	473
School Boards	133	129	126	122	123
Other Local Boards	<u>423</u>	<u>422</u>	<u>422</u>	<u>418</u>	<u>419</u>
	<u>1,046</u>	<u>1,042</u>	<u>1,037</u>	<u>1,027</u>	<u>1,015</u>
*Members Contributing, Employed by					
Municipalities	65,588	64,510	63,280	61,875	60,757
School Boards	32,536	32,027	30,828	30,033	29,619
Other Local Boards	<u>29,725</u>	<u>29,584</u>	<u>28,929</u>	<u>27,823</u>	<u>27,110</u>
	<u>127,849</u>	<u>126,121</u>	<u>123,037</u>	<u>119,731</u>	<u>117,486</u>
*Members Contributing					
Female	48,287	46,924	44,827	42,743	41,224
Male	<u>79,562</u>	<u>79,197</u>	<u>78,210</u>	<u>76,988</u>	<u>76,262</u>
	<u>127,849</u>	<u>126,121</u>	<u>123,037</u>	<u>119,731</u>	<u>117,486</u>
*Normal Retirement Age 65	110,343	108,855	106,314	103,420	101,872
*Normal Retirement Age 60	<u>17,506</u>	<u>17,266</u>	<u>16,723</u>	<u>16,311</u>	<u>15,614</u>
	<u>127,849</u>	<u>126,121</u>	<u>123,037</u>	<u>119,731</u>	<u>117,486</u>
*Terminated Members Who Have Elected a Deferred Pension	<u>3,721</u>	<u>3,710</u>	<u>3,326</u>	<u>3,551</u>	<u>3,320</u>
*Number of Pensioners by Type of Pension					
Normal Retirement	14,386	13,442	12,540	11,558	10,550
Early Retirement	4,034	3,341	2,886	2,451	1,986
Disability Retirement	1,603	1,473	1,379	1,232	1,078
Spouses and Children	<u>5,590</u>	<u>5,031</u>	<u>4,505</u>	<u>4,029</u>	<u>3,631</u>
	<u>25,613</u>	<u>23,287</u>	<u>21,310</u>	<u>19,270</u>	<u>17,245</u>
*Total Membership Comprising Contributing Members, Deferred Pensions and Pensioners	<u>157,183</u>	<u>153,118</u>	<u>147,673</u>	<u>142,552</u>	<u>138,051</u>
Number of Members Enrolled Each Year	9,901	11,764	14,475	13,914	13,168
Number of Members Terminated Each Year	<u>8,173</u>	<u>8,680</u>	<u>11,169</u>	<u>11,669</u>	<u>11,297</u>
Net Increase in Membership	<u>1,728</u>	<u>3,084</u>	<u>3,306</u>	<u>2,245</u>	<u>1,871</u>

Unaudited figures

\*Cumulative totals at year end

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Historical Highlights

**1962** — An Act establishing the Ontario Municipal Employees Retirement System was given Royal Assent on April 18th.

**1963** — The first members of the System were enrolled on January 1st and the first contributions received one month later.

**1965** — Amendments were made for the "locking-in" of contributions as required under the Pension Benefits Act.

After July 1, 1965 all persons engaged by a municipality or local board must participate in OMERS to receive pension benefits.

Provision was made for OMERS to manage and administer other pension plans.

**1966** — The contributions and benefits were integrated with the contributions and benefits of the Canada Pension Plan.

Employees of electric utilities became members of OMERS for the first time.

**1967** — The supplementary benefit program was introduced.

**1968** — The eleven member Board was appointed by the Lieutenant Governor in Council on January 1.

The interest rate on the special Provincial debentures issued to OMERS at each year end was increased from 5% to 6½%.

The benefit formula was increased 10% from 2% of career earnings to 2.2% of career earnings.

**1969** — A disabled widower was extended the same benefits as a widow on the death of a member.

**1970** — The interest rate on the special Provincial debentures issued to the Board at each year end was changed from 6½% to the average borrowing costs of the Province during a year.

All basic pension benefits earned or payable on December 31, 1970 were increased by 10%.

**1971** — All basic pension benefits earned or payable at December 31, 1971 were increased by 5%.

In addition to the 50% widows' and disabled widowers' pensions payable on the death of a member, a further pension of 10% for each child of the deceased member to a maximum of 25% was introduced.

**1972** — Councillors became eligible for membership in the System.

All basic pension benefits earned or payable on December 31, 1972 were increased by 5%.

**1973** — An employer could improve the pensions being paid to retired employees through the System.

Rates of interest on special Provincial debentures issued to the Board during the years 1963 to 1969 were retroactively adjusted.

All basic pension benefits earned or payable at December 31, 1973 were increased by 5%.

**1974** — A portion of available funds could be invested in marketable securities under the provisions of the Pension Benefits Act commencing in 1975.

**1975** — All basic pension benefits earned by active and deferred members as at December 31, 1975 were increased by 10%.

All pensions being paid to retired members on December 31, 1975 were increased by 10%.

A widower of a member became entitled to the same 50% pension as a widow on the death of a member.

Board authorized to invest a portion of funds in capital market securities.

**1976** — Optional service, being service with another governmental employer or war service, was added to the supplementary benefit program.

**1978** — Pension formula changed from 2.2% career average earnings basis to a 2% final average earnings basis.

All pensions being paid to retired members on December 31, 1977 were increased by 3% from March 1, 1978.

**1979** — All available funds invested in capital market securities.

**1980** — All pensions being paid to retired members on January 1, 1979 were increased by 4% from January 1, 1981.

**1981** — Spousal benefits no longer cease on remarriage and the reduction in the spouse pension when the spouse is more than 10 years younger than spouse was eliminated.

**1982** All pensions being paid to retired members on December 1, 1981 were increased 4% from July 1, 1982.

**1983** All pensions being paid to retired members on December 1, 1982 were increased 4% from July 1, 1983. All vested deferred pensions were similarly increased plus a retroactive adjustment for increases granted to pensions in 1982, 1981, 1980 and 1978.

"90 Factor" unreduced early retirement pensions were introduced.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Benefits

### as at December 31, 1983

#### Basic Benefits

**Normal retirement** at age 65 — except policemen and firemen who may retire at age 60.

The annual **normal retirement pension** payable to a member is 2% of pensionable earnings multiplied by years of credited service, reduced when the member becomes entitled to a pension under the Canada Pension Plan. In this formula:

"pensionable earnings" means the annual average of the 60 highest consecutive months of earnings;

"credited service" means service when contributions have been made, transferred in service and past service under a full Type 1 supplementary benefit;

"CPP reduction" means 0.7% of the annual average of the Year's Maximum Pensionable Earnings under the CPP in the year of retirement and the two preceding years times credited service since January 1, 1966.

A **total disability retirement benefit** for a disability that, in the first two years, renders a member incapable of performing the duties of his or her position and thereafter of any substantially gainful employment. The totally disabled member may continue to accrue credited service without contribution until normal retirement age or may elect a disability pension.

A **pension for life to a widow or widower** of one-half the member's pension plus 10% for each child under 21 years of age to a maximum of 25% and, where there is no widow or widower, a pension of one-half the member's pension to the child or children of the member under 21 years of age.

A **deferred pension**, payable at normal retirement age, if a member ceases to be employed before his normal retirement date. The pension benefits earned by a member under the System vest immediately in the member.

An **early retirement pension**, commencing within the 10 year period before normal retirement age payable without reduction if the age and service of the member totals 90 or more or reduced 5% per year.

A **refund** of the contributions of a member plus interest if the member terminates his employment, except if at termination the member has 10 years of continuous service with the employer and is over 45 years of age, then his contributions made after January 1, 1965 may not be refunded.

**Portability** of the credited service if a member transfers employment from one participating employer to another or to other governmental pension plans under special reciprocal transfer agreements.

**Supplementary Benefits** (provided by an agreement between a participating employer and OMERS)

**Full Type 1** — Final Average Earnings, Past Service Pension

The full Type 1 provides for the service of a member before the member's employer participated in OMERS (past service) to become credited service in the basic plan and be fully portable within the System. Any pension earned under a previous pension plan for the same period of past service is deducted from the pension from OMERS.

**Partial Type 1** — Final Average Earnings, Past Service Pension

The partial Type 1 provides a portion of a benefit based on 2% of final average earnings and service before the member's employer participated in OMERS (past service). Any pension earned under a previous pension plan for the same period of past service is deducted from the pension from OMERS.

**Type 2** — Current Average Earnings, Past Service Pension

As of January 1, 1983 this type of supplementary benefit is no longer available although all existing agreements at the end of 1982 will continue to operate and member pension amounts are protected.

**Type 3** — Unreduced Early Retirement Pension for Members with a Normal Retirement Age of 60 Years

The Type 3 benefit provides for payment of an unreduced pension if a member retires within 10 years of normal retirement date under the following conditions:

- (a) completion of 30 or more years of service with the employer, or
- (b) due to permanent partial disability as determined by the employer.

**Type 3** — Unreduced Early Retirement Pension for Members with a Normal Retirement Age of 65 Years

The Type 3 benefit provides for payment of an unreduced pension only if a member retires within 10 years of normal retirement date due to permanent partial disability as determined by the employer.

**Optional Service** — The service of a member with another governmental employer or war service may be added to a Type 1 or Type 2 benefit and the member must contribute on a formula basis to be entitled to this service. This service becomes additional past service of the member.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Summary of Marketable Securities

### as at December 31, 1983

(\$ Thousands)

	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
<b>Short Term</b>	<u>\$115,063</u>	<u>3.7%</u>	<u>9.59%</u>	<u>\$115,063</u>
<b>Bonds</b>				
Government — Canada	\$279,769	9.1%	11.58%	\$272,048
— Provincial	293,138	9.5	13.31	285,284
— Municipal	25,541	0.8	10.90	22,104
Corporate	232,192	7.6	13.37	233,190
World Bank	6,140	0.2	10.60	5,964
Term Loans	74,864	2.4	14.00	74,864
<b>Total Bonds</b>	<u>\$911,644</u>	<u>29.6%</u>	<u>12.38%</u>	<u>\$893,454</u>
<b>Mortgages</b>				
Residential				
— Single Family	\$ 14,295	0.5%	12.81%	\$ 14,549
— Rental	592,291	19.2	13.16	601,360
— Condominium	2,820	0.1	12.21	2,840
Commercial				
— Office Buildings	86,794	2.8	12.63	94,630
— Shopping Centres	54,179	1.8	12.36	60,112
— Hotel	14,692	0.5	15.92	14,970
— Retail	2,347	0.1	12.82	2,202
<b>Total Mortgages</b>	<u>\$767,418</u>	<u>25.0%</u>	<u>13.08%</u>	<u>\$790,663</u>
<b>Equities</b>				
Canada — Individual Stocks				
— Metals and Minerals	\$ 54,399	1.8%	5.69%	\$ 80,437
— Oil and Gas	149,386	4.9	2.07	168,199
— Paper and Forest Products	27,043	0.9	1.66	38,551
— Consumer Products	47,317	1.5	6.14	87,958
— Industrial Products	48,366	1.6	5.40	75,677
— Transportation	7,496	0.2	3.82	10,276
— Pipelines	42,301	1.4	5.45	40,098
— Utilities	41,248	1.3	8.45	52,380
— Communications and Media	18,528	0.6	3.48	27,412
— Merchandising	16,461	0.5	5.11	20,365
— Financial Services	150,879	4.9	6.65	187,022
— Management Companies	50,060	1.6	3.59	60,516
Convertible Debentures	15,000	0.5	8.00	15,000
Mutual Funds	13,613	0.5	0.67	24,417
<b>Total Canadian Equities</b>	<u>\$682,097</u>	<u>22.2%</u>	<u>4.62%</u>	<u>\$888,308</u>

# **ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND** **Summary of Marketable Securities as at December 31, 1983**

(\$ Thousands)

	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
<b>Equities (continued)</b>				
Non-Canada (Canadian \$)				
United States				
— Individual Stocks				
— Machines	\$ 5,693	0.2%	5.10%	\$ 5,880
— Metals & Minerals	8,734	0.3	2.85	10,171
— Pollution Control	5,594	0.2	1.51	5,771
— Chemicals	5,848	0.2	4.13	4,725
— Diversified — Building	3,534	0.1	8.92	9,837
— Misc. & Diversified	20,597	0.7	3.12	25,226
— Office Equipment	15,083	0.5	3.77	20,556
— Oil — International	16,230	0.5	7.25	16,414
— Oil — Domestic	9,995	0.3	6.21	12,759
— Oil Well Equipment	11,064	0.4	2.83	9,792
— Drugs	15,076	0.5	5.00	21,645
— Electrical Appliances	3,993	0.1	2.63	5,704
— Cosmetics	9,738	0.3	7.26	13,633
— Food	10,570	0.3	7.86	15,336
— Photography	11,482	0.4	5.52	15,278
— Communications & Media	5,350	0.2	1.70	4,820
— Retailing	2,134	0.1	6.47	9,704
— Tobacco	3,235	0.1	9.34	6,048
— Property & Casualty	2,616	0.1	10.26	4,135
— Banks	6,469	0.2	7.03	11,573
— Utilities	13,903	0.4	10.12	16,901
— Mutual Funds	104,949	3.4	3.23	144,038
Global				
— Managed Funds	95,618	3.1	—	109,700
— Mutual Fund	9,142	0.3	3.27	18,302
Total Non-Canadian Equities	<u>\$ 396,647</u>	<u>12.9%</u>	<u>3.43%</u>	<u>\$ 517,948</u>
Total Equities	<u>\$1,078,744</u>	<u>35.1%</u>	<u>4.18%</u>	<u>\$1,406,256</u>
<b>Real Estate</b>	<u>\$ 153,967</u>	<u>5.0%</u>	<u>8.68%</u>	<u>\$ 174,391</u>
<b>Venture Capital &amp; Special</b>	<u>\$ 48,707</u>	<u>1.6%</u>	<u>1.33%</u>	<u>\$ 48,707</u>
<b>Total Market Fund Investments</b>	<u><u>\$3,075,543</u></u>	<u><u>100.0%</u></u>	<u><u>9.19%</u></u>	<u><u>\$3,428,534</u></u>

**\*Estimated Market Values**

Bonds:	Quoted values	Real Estate:	Appraised values
Mortgages:	Computed on current market yields	Venture Capital:	Cost
Equities:	Quoted values		











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1984  
ANNUAL REPORT

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD



**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD**  
**1984 ANNUAL REPORT**





**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD**  
2 BLOOR STREET WEST (27TH FLOOR), TORONTO, ONTARIO M4W 3E2. (416) 926-2400

April 26, 1985

The Honourable Larry Grossman  
Treasurer of Ontario and  
Minister of Economics  
Frost Building South  
7 Queen's Park Crescent  
Toronto, Ontario  
M7A 1Y7

Dear Mr. Grossman:

I am pleased to present to you the Annual Report of the Ontario Municipal Employees Retirement Board for the year ended December 31, 1984 in accordance with subsection 4(8) of the Ontario Municipal Employees Retirement System Act.

At the end of 1984 monthly pensions were paid to 28,151 retired members or their beneficiaries, contributions were received from 130,445 members and 1,052 participating employers. Invested assets at book value totalled \$5.282 billion with \$1.293 billion invested in special debentures of the Province of Ontario and \$3.989 billion invested in capital market securities with a market value of \$4.302 billion.

An actuarial valuation of the Fund on January 1, 1984 showed a surplus position of \$109 million with the current member and employer contribution rates sufficient to fund the accumulation of pension benefits in the foreseeable future.

OMERS is managed and administered by the Board on behalf of the many thousands of active and retired employees of local governments in Ontario and the stewardship of this important aspect of their retirement income is a rewarding and challenging experience for each member of the Board.

The accompanying report is respectfully submitted to you.

Yours truly,

A handwritten signature in dark ink, appearing to read 'S. P. Dobbin', written in a cursive style.

Samuel P. Dobbin  
Chairman of the Board

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# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

as at December 31, 1984



Mr. G. E. Boyce, Chairman  
Superintendent-  
Business Administration  
Sudbury Board of Education



Mr. S. P. Dobbin, Vice Chairman  
Stationary Engineer  
Toronto Board of Education



Mr. C. M. Beckstead  
Chief Administrative Officer  
City of Nepean



Mr. E. W. Matthews  
Reeve  
Sidney Township



Mr. C. R. Bernardi  
Director of Personnel  
and Labour Relations  
City of Sault Ste. Marie



Mrs. J. A. Newman  
Administrative Supervisor  
Parks and Property Department  
Municipality of Metropolitan Toronto



Mr. R. F. Bevan  
Superintendent  
Niagara Regional Police Force



Mr. A. J. Roberts  
Consumer Relations Representative  
St. Catharines Hydro Electric  
Commission



Mr. P. R. Burke  
Firefighter  
City of Windsor



Mr. M. Scott  
Mayor  
Township of Lake of Bays



Mr. D. S. McColl  
Assistant Deputy Minister  
Ministry of Treasury  
and Economics

Mr. McColl was appointed to the Board in February, 1984  
replacing Mr. G. M. McIntyre.

**INVESTMENT POLICY COMMITTEE OF THE BOARD  
as at December 31, 1984**

Mr. R. M. MacIntosh, Chairman  
Canadian Bankers' Association

Mr. J. C. C. Wansbrough, Vice-Chairman  
The National Victoria and Grey Trust Company

Mr. H. M. Cunningham  
Cockfield, Cooper, Cunningham  
Investment Counsel Inc.

Mr. N. J. Short  
Guardian Capital Group Limited

Mr. C. R. Bernardi  
Member of the Board

Mr. G. E. Boyce  
Chairman of the Board

Mr. A. J. Roberts  
Member of the Board

Mr. A. W. Reeve  
Executive Director

Mr. P. L. Baxter  
Acting Director of Investments

**ADVISORS TO THE BOARD**

Mr. R. A. Field, F.C.I.A.  
The Wyatt Company  
Actuary

Dr. R. G. MacKenzie, M.D.  
Medical Advisor  
(deceased March 24, 1985)

Mr. Purdy Crawford, Q.C.  
Osler, Hoskin & Harcourt  
Legal Advisor

Coopers & Lybrand  
Auditors

**SENIOR STAFF**

Mr. A. W. Reeve  
Executive Director

Mr. P. L. Baxter  
Acting Director of Investments

Mr. G. A. Tyson  
Director of Pension  
Administration

Mr. C. Massouras  
Director of Finance  
and Administration

**COMPOSITION OF THE BOARD**

Employee Representatives:  
Messrs. Bevan, Burke, Dobbin, and Roberts and Mrs. Newman

"Officer" Employee Representatives:  
Messrs. Beckstead, Bernardi, and Boyce

Elected Representatives:  
Messrs. Matthews and Scott

Provincial Official:  
Mr. McColl



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

## 1984 Annual Report

### INTRODUCTION

1984 marks the twenty-second year of operation for the Ontario Municipal Employees Retirement System (OMERS) and the seventeenth year that the responsibility for the management and administration of OMERS has been vested in a board appointed by the Lieutenant Governor in Council.

In addition to responsibilities for the basic OMERS benefits and supplementary benefits, the Board, under agreement and for a fee, manages the pension plans of Ryerson Polytechnical Institute, the Colleges of Applied Arts and Technology, the Caucus Employees of the Legislature and a special guarantee fund related to electrical utility restructuring.

This report covers the main activities of 1984 and, through schedules, provides historical data. Also included are the audited financial statements and details of the actuarial valuation of the Fund.

### MAJOR ACTIVITIES — 1984

The OMERS Act was not changed in 1984; however, there were six amendments to the regulations made under the Act, as follows:

- a 4% increase to pensions under payment as at July 1, 1984 for persons receiving a pension on December 1, 1982 and higher pro-rata increases for pensions which commenced during 1983
- a 4% increase to deferred pensions as at December 31, 1984 if the member became entitled to the deferred pension on or before December 31, 1983
- a spouse or former spouse may renounce rights to a spousal benefit
- where a spousal pension ceased by reason of remarriage prior to September 29, 1981, the pension may recommence as at July 1, 1984
- certain fixed amounts of pension of members resulting from member contributions not required from supplementary benefits as at December 31, 1977 can now be increased each year similar to deferred pensions

- a separate trust was established for employers designated under the regulation for purposes of withholding taxes on income received from non-Canadian investments.

Again, during the latter part of 1984, the Board considered possible benefit improvements and requested a meeting with the Treasurer of Ontario and Provincial officials to discuss the feasibility and costs of implementing the changes. Unfortunately, this meeting did not take place during 1984 but the Board is optimistic that certain benefit improvements can be introduced in 1985.

Pension reform in Canada appears to be winding down and specific proposals are expected from the Province of Ontario during 1985. Because of the publicity surrounding potential changes to pension plans, the Board had the Actuary estimate the cost impact of changes that appear to have the greatest possibility of introduction. While the Actuary indicates reform proposals will add costs to OMERS, it appears that the present member and employer contribution rates should be sufficient and will not require increases.

In May, 1984 the Board held its regular monthly meeting in the City of Belleville and the September Board meeting was held in Muskoka. In conjunction with these meetings, the Board met with representatives of members and employers, presented information about OMERS and discussed various aspects of the benefits and operation of OMERS that were of interest to those attending the meetings. In addition, the Board held nine monthly meetings in Toronto.

Only two organizations presented briefs and met with the Board during 1984 — The Ontario Association of School Business Officials and the Ontario Municipal Retirees Organization. Also, the Board issued the "OMERS UPDATE" in January, June and October. The goal of this publication is to keep members and employers aware of the Board's activities during the year.

The remainder of this report is presented basically along organizational lines covering the activities of the pension program, the investment program, the finance and administration program and the Board operation.

## PENSION PROGRAM

At the end of 1984 there were 493 municipalities, 133 school boards and 426 other local boards participating in OMERS for a total of 1,052 participating employers, an increase of 6 employers in 1984.

There are 130,445 contributing members to the System. Just over half are employees of municipalities, one quarter are employees of school boards and the remainder are employees of other local boards. Two out of every five members are female and one in seven members is a policeman or fireman with a normal retirement age of 60 years.

OMERS represents a pooling of large and small municipal employers. This pool provides a reasonable level of pension benefits at stable and reasonable contribution rates. This feature of OMERS is emphasized by the fact that one half of the participating employers have fewer than 25 employees who are members of the System. In fact, the average is 9 members each. At the other extreme, 60% of the membership is employed by 61 employers with an average of 1,250 members.

Membership activity in 1984 was as follows:

Contributing Members, January 1, 1984	127,849	
Members enrolled	<u>11,436</u>	
	139,285	
Terminated members electing a:		
refund of contributions	4,584	
deferred pension	381	
transfer within OMERS	430	
transfer to another plan	93	
Disabled members electing a waiver	695	
Death of contributing members	275	
Retirements	<u>2,382</u>	<u>8,840</u>
Contributing members, December 31, 1984		<u>130,445</u>

Pensioners, January 1, 1984

25,613

Additions from:

active members	2,121	
deferred pensions	181	
disability waivers	174	
spousal pensions:		
death of contributing members	168	
death of pensioners	475	
recommencement to remarried spouses	206	
unsettled claims	<u>113</u>	<u>3,438</u>
		29,051

Deletions from:

death of pensioners	858	
suspended pensioners	6	
cessation of children's pensions	<u>36</u>	<u>900</u>
		28,151

Pensioners, December 31, 1984

\$86.9 million was paid to pensioners in 1984, an increase of 25% over the amount paid in the previous year. The following is a summary of the types of pensions being paid by OMERS:

Normal retirement	15,218
Early retirement	4,841
Disability retirement	1,705
Spousal	6,283
Children's	<u>104</u>
	<u>28,151</u>

At the end of 1984, there were 3,786 members who had terminated their service and elected a deferred pension. During the year, 381 members elected a deferred pension on termination of service and 1 member ceased to be disabled and elected a deferred pension. Also, 28 members re-enrolled in the System and 289 commenced to receive a pension.

On December 31, 1984, there were 7,300 members of OMERS with full past service coverage and 1,216 members with partial past service coverage. In addition, 11,718 members with a normal retirement age of 60 years were provided a special early retirement benefit after 30 years of service. These members were covered under fifty-seven continuing supplementary agreements.

The Board has the Actuary undertake an actuarial valuation of the Fund to monitor the financing of OMERS. The latest valuation was prepared with member data as at January 1, 1984. The following table shows the results and comparable data for the valuation undertaken one year earlier.

(\$ Thousands)	Actuarial Valuation Results	
	As at January 1	
	1984	1983
Actuarial Liabilities		
Present Value of:		
Pensions under payment	\$ 723,429	\$ 573,415
Vested deferred benefits	25,404	20,151
Benefits for present contributors and their survivors	<u>3,330,220</u>	<u>2,914,863</u>
	<u>\$4,079,053</u>	<u>\$3,508,429</u>
Assets:		
Fund assets at January 1	\$4,188,068	\$3,518,232
ACTUARIAL SURPLUS	<u>\$109,015</u>	<u>\$9,803</u>

The above results are based on actuarial assumptions that assume salary increases of 8% per year, Fund earnings of 8% per year to the retirement of a member and 7% thereafter and 12½% annual increases to the Year's Maximum Pensionable Earnings under The Canada Pension Plan until 1986 and 6% increases thereafter.

The valuations are based on an actuarial method referred to as the "unit credit cost method" which is the minimum funding requirement under the Pension Benefits Act (Ontario). The present value of liabilities for present contributing members and their survivors of \$3,330,220,000 is based on the credited service of each member to January 1, 1984 and on earnings at that date projected to normal retirement.

Based on the above results, OMERS continues to be fully funded. Current member and employer contribution rates appear sufficient to fund the accrual of future benefits of members and the System continues to operate in a sound financial condition.

## INVESTMENT PROGRAM

An important aspect of the financial stability of a pension plan is the growth of invested assets through investment income received or appreciation in the value of an asset. OMERS looks to the investment program to provide the growth in value of invested assets to meet the increasing actuarial liabilities resulting from longer periods of service of members in the plan and their earning increases over time.

The Board is responsible for the investment of available funds of the basic OMERS plan, the remaining supplementary benefits and the four managed plans. These investments are pooled and the figures presented in this section apply to the total pool of assets. At the

end of 1984 the invested assets of OMERS were as follows:

	Investments As At December 31, 1984			
	Market Value		Book Value	
Marketable Securities	\$4.302 Billion	79%	\$3.989 Billion	76%
Special Provincial Debentures	<u>1.121 Billion*</u>	<u>21%</u>	<u>1.293 Billion</u>	<u>24%</u>
	<u>\$5.423 Billion</u>		<u>\$5.282 Billion</u>	

\*Estimated by OMERS

A key decision required for the investment of pension funds is the percentage or share of funds to be invested in different classes of investments. The two main asset classes are debt investments and equity investments and there are sub-classes within these main classes. The Board has adopted an overall asset mix policy on the recommendation of the Investment Policy Committee of the Board and the advice of Staff. The objective of the asset mix policy over time is to provide a reasonable expectation of asset value growth to meet the future estimated liabilities with a low risk of falling short. The current asset mix policy, with percentages based on market values, is compared below to the actual positions as at December 31, 1984.

	Asset Mix Policy			
	Policy Range			Actual
Class of Asset	High	Mid	Low	31/12/84
Short Term	33%	2%	0%	3%
Debt Investments				
Bonds	46%	23%	16%	25%
Term Loans	5	3	2	2
Mortgages	43	23	17	22
		49%		49%
Equity Investments				
Equities	60%	44%	30%	42%
Real Estate	10	5	2	6
		49%		48%
		100%		100%

During 1984 funds invested in capital market securities grew from \$3.428 billion to \$4.302 billion at market value, an increase of 25%. This change is the result of new cash flow from member and employer contribution, investment income and realized and unrealized capital gains. In summary by asset class, the changes in market value in 1984 are as follows:



# MARKET VALUE CHANGE IN 1984

(\$Millions)

Asset Class	Market Value	Cash Flow	Capital Gains (Losses)		Market Value
	31/12/83	1984	Realized	Unrealized	31/12/84
Short Term	\$ 115	\$ 30			\$ 145
Bonds	818	223	\$ 2	\$ 25	1,068
Term Loans	75	10			85
Mortgages	791	175		( 2)	964
Equities	1,406	280	79	(62)	1,703
Real Estate	170	88			258
Venture Capital and Other	53	26			79
Total	<u>\$3,428</u>	<u>\$832</u>	<u>\$81</u>	<u>\$(39)</u>	<u>\$4,302</u>

The table below shows the annual rate of return for the last five years for the marketable securities and the combined marketable securities and special Provincial debentures. These rates of return are based on the realized and unrealized gains and income re-invested but excluding contribution cash flows.

## Annual Rates of Return

Year	Capital Market Securities	Total Fund
1984	9.5%	11.0%
1983	20.4	15.7
1982	25.1	33.1
1981	3.5	(0.6)
1980	12.1	7.7
5 year period 1980-1984	13.9	12.8

During the five year period, the Consumer Price Index increased at an annual rate of 8.1%. The annual real rate of return (rate of return less CPI) for the five year period 1980 to 1984 was 5.8% for the capital market security portion and 4.7% for total investments including the special Ontario debentures. Also, a private pension fund performance measurement service has indicated that the annual rate of return for the average fund for the five year period 1980 to 1984 was 12.8%.

These rates of return are measured from the market value of investments and include unrealized capital gains and should not be confused with the annual rate of return based on the investments at cost and reported on schedule 1. The return on investments, (shown on schedule 1) is used to determine increases to pensions each year.

The economic events and capital market activities underlying the changes in market value of the principle asset categories of the managed fund are discussed below.

Last year marked the second full year of recovery from the 1981-82 recession. The Canadian economy grew at a respectable 4.7% real rate, while inflation moderated to 4.4% (compared to inflation rates of 5.8% in 1983 and 10.8% in 1982). Despite the improved economic environment, though, some serious problems remain unsolved. The most important of these include: government deficits, very high and volatile interest rates and a stubbornly high level of unemployment.

To a great extent, these economic problems are interrelated: high interest rates act as a drag on the economy, which prevents significant reductions in unemployment, which adds to the government deficit, which helps to keep interest rates high, and so on. It appears that, so long as these problems remain, the Canadian economy will achieve mixed results, at best.

This appears to have had a substantial influence on financial markets in 1984. Bond market performance was volatile, in response to swings in interest rates and uncertainty over government policy. At the same time, stock markets were nervous as well, with the Toronto Stock Exchange Index leading the year down 6.4% from its opening value.

The chief feature of 1984 for debt investments was the continuation of more volatile markets with wide swings in prices becoming accepted as normal. Yields on long term Canada bonds moved from 12.25% to 14% and back to 12% within 12 months.

Through this climate we added \$224 million to our bond holdings, including some new instruments, and maintained a good income flow for the fund. Capital gains of \$2 million were produced.

The short term portfolio continued its function of ensuring the availability of funds for other asset classes and was increased by \$30 million during the year.

In 1984, the term lending portfolio increased in size from \$75 million to \$85 million. This represents an increase of 13% or \$10 million in invested funds over the prior year.

Mortgage activity in 1984 was primarily in residential rental properties insured by CMHC under the National Housing Act and commercial properties although the supply was limited as a result of the general slowdown in this segment of the economy.



Economic conditions caused great volatility in the major stock markets of the world and Canadian markets were no exception. OMERS, realizing that you cannot wait for full resolution of major economic problems before investing, continued to add to equity positions throughout 1984.

During the year, a small Canadian growth stock portfolio was formed to enable OMERS to participate in smaller, faster growing companies, and a major investment in Templeton Growth Fund was converted into a segregated fund managed by Templeton Investment Counsel.

Despite the rapidly changing investment environment, the market value of the equity holdings increased 21% from \$1,406 million to \$1,703 million in 1984 which is 18% more than book cost. Capital gains amounted to \$79 million during the year.

The Venture Capital and Other portfolio consists of oil and gas investments, venture capital investments and private equity placements. In 1984, this segment of the portfolio increased from \$53 million to \$79 million, an increase of \$26 million or 48%.

In 1984, the Real Estate portfolio increased in size from \$204 million to \$291 million in invested and committed money, representing an increase of \$87 million or 43% over the total at the end of 1983. The following table shows the breakdown between invested and committed money, and the cost and market value of the Real Estate portfolio.

(\$ Millions)	Real Estate Portfolio			
	December 31, 1984		December 31, 1983	
	Cost	Market	Cost	Market
Invested	\$237	\$258	\$149	\$170

The largest investment in 1984 was the direct purchase by OMERS of slightly less than a 30% interest in three regional shopping malls in Edmonton, Red Deer and Calgary, Alberta. These malls represent an investment of \$70 million and the balance of the money was directed towards a number of smaller properties.

**FINANCE AND ADMINISTRATION PROGRAM**

The administration of OMERS includes pension administration for the basic plan, the remaining supplementary benefit program and the four plans managed by the Board under agreement, which are separate and distinct from OMERS. The Board receives manage-

ment fees for the supplementary benefit program and the managed plans and these fees amounted to \$505,000 in 1984 as compared to \$513,000 in 1983.

Some important financial highlights for 1984 are as follows:

- member contributions to the basic plan including optional service amounts were \$193 million, an increase of 7% over 1983
- employer contributions to the basic plan matched those of members
- total investment income received in 1984 amounted to \$525 million with \$7 million credited to supplementary benefits, \$60 million to managed plans and a net of \$458 million to the basic OMERS plan
- 57 supplementary agreements are still operative for members with a normal retirement age of 60 years and assets of \$67 million are held for this purpose
- benefit payments in 1984 totalled \$112 million with \$87 million paid as monthly pensions to retired members or their beneficiaries and the balance paid as refunds to members terminating employment or transfers to other pension plans.

In addition to the administration aspects of the various pension programs, the Board is also responsible for the management and administration aspects of the investment program. The Board, with the assistance of advisors, has developed expenditure guidelines to ensure that administrative expenditures are controlled within a framework that allows the various growth elements to be managed prudently and properly.

The guidelines are as follows:

- 1% of member and employer contributions to the basic OMERS plan
- 1/10 of 1% of the year end amortized cost of the capital market security portion of the investment program
- management fees for supplementary benefits and the managed pension plans.

The following table compares total administrative expenditures to the expenditure guideline and the

percentage column indicates the portion actual expenditures are of the guideline:

(\$ Thousands)	Actual	Expenditure	
Year	Expenditures	Guideline	Percentage
1984	\$6,117	\$8,302	74%
1983	5,289	7,208	73
1982	4,362	6,613	66
1981	3,472	5,431	64
1980	2,856	4,382	65

As would be expected in an administrative organization, 60% of the expenditures are related to compensation and a further 8% to consultants and advisors for such specialties as actuarial, medical, legal, audit and special investment needs. Accommodation and data processing require a further 16% of total expenditures and together with staff compensation and special advisor fees represent almost 15% of the total expenditure.

The Board authorized a complement of 113 positions for 1984, an increase of 6 over the previous year. Much of the day to day administration of OMERS takes place in the offices of the 1,052 participating employers and this is the first line of communication with members of the System. The Board is most appreciative of the dedicated work done by many municipal employees as well as by the staff of the System.

## THE BOARD AND ITS ADVISORS

Two new members joined the Board on January 1, 1984: Mrs. Anne Newman, an employee of the Municipality of Metropolitan Toronto and Mr. Merv Beckstead, Chief Administrative Officer of the City of Nepean.

On February 13, 1984, Mr. Don McColl, Assistant Deputy Minister, Ministry of Treasury and Economics, replaced Mr. George McIntyre on the Board.

Mr. Grant Boyce continued as Chairman of the Board for 1984 and Mr. Sam Dobbin continued as Vice Chairman. Also, Messrs. Boyce, Bernardi and Roberts continued as Board member representatives on the Investment Policy Committee.

Mr. R. A. Field of the Wyatt Company continued as the Board's actuary and Mr. Purdy Crawford of Osler, Hoskin and Harcourt served as the Board's legal advisor. Dr. R. G. McKenzie, who has been the Board's only medical advisor, died suddenly on March 24, 1985. As the Board's medical advisor, Dr. McKenzie examined each disability claim as well as maintaining statistical data on the various types of disability and reporting to

the Board periodically on this aspect of OMERS. The "Doc", as he was affectionately called, provided a valuable service to the Board and membership of the System and will be missed by all who knew him.

## CONCLUSION

The Board is responsible for the sound management and administration of the System, the investment of funds in capital market securities, the study and promotion of improved pension benefits, the continuing financial well being of the Fund and all of the attendant administrative functions associated with the operation of a larger pension plan.

The Board is again pleased to report in 1984 that OMERS is in a sound financial position and should remain so in the foreseeable future, benefit improvements continue to be studied and made and member and employer contribution rates are sufficient to fund the future accumulation of pensions by the members.


The members of the Board operate OMERS on behalf of the thousands of active and retired members and the participating employers with the simple objective of ensuring adequate retirement income at reasonable and stable costs. The 1984 results indicate a continuing progression towards this goal.

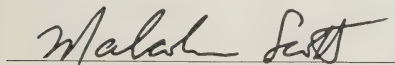
# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Balance Sheet as at December 31, 1984

	1984 (000's)	1983 (000's)
<b>Assets</b>		
Investments (note 2)	\$5,281,842	\$4,368,568
Long term receivables (note 4)	108,084	116,900
Leasehold improvements (note 1)	249	301
Contributions receivable	37,542	47,204
Accounts receivable	506	491
Accrued income	63,691	103,660
Cash	<u>7</u>	<u>10</u>
	<u>\$5,491,921</u>	<u>\$4,637,134</u>
<b>Reserves and Liabilities</b>		
Reserves for:		
basic benefits (note 3)	\$4,814,414	\$4,070,275
supplementary benefits (note 4)	<u>66,875</u>	<u>64,594</u>
	\$4,881,289	\$4,134,869
Deposits from administered pension funds (note 5)	597,789	\$499,299
Accounts payable and accruals	12,814	2,938
Pension benefits payable	<u>29</u>	<u>28</u>
	<u>\$5,491,921</u>	<u>\$4,637,134</u>

Signed on behalf of the Board

 Member

 Member

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Statement of the Reserves for the year ended December 31, 1984

	Basic benefits reserve (000's)		Supplementary benefits reserve (000's)	
	1984	1983	1984	1983
<b>Balance, beginning of year</b>	<u>\$4,070,275</u>	<u>\$3,191,720</u>	<u>\$64,594</u>	<u>\$190,304</u>
<b>Increases in Reserves</b>				
Contributions of:				
• Members	\$ 192,503	\$ 179,814		
• Employers, current service	188,266	182,123	\$ 3,172	\$ 4,069
• Employers, unfunded liabilities (note 4)	<u>8,748</u>	<u>124,521</u>		
	389,517	486,458	3,172	4,069
Interest income on unfunded liabilities	12,581	9,794		
Income earned from investments	517,642	418,325	7,036	6,715
Administrative expenditures recovered from:				
• Supplementary benefits reserve	32	40		
• Administered pension funds (note 5)	473	473		
Transfer to basic benefits reserve from:				
• Supplementary benefits reserve	7,895	140,815		
Transfer to supplementary benefits reserve from:				
• Prior service benefits reserve			—	4,361
<b>Total Increases</b>	<u>\$ 928,140</u>	<u>\$1,055,905</u>	<u>\$10,208</u>	<u>\$ 15,145</u>
<b>Decreases in Reserves</b>				
Members' pensions	\$ 86,858	\$ 69,315		
Members' contributions plus interest refunded	23,377	26,115		
Transfers to other pension plans	1,548	1,347		
Income credited to administered pension funds (note 5)	60,060	47,192		
Closing supplementary agreements	6,041	28,092		
Transfers to basic benefits reserve for:				
• Administrative expenses			\$ 32	\$ 40
• Pension present value			1,854	5,198
• Closing supplementary agreements			6,041	135,617
Administrative expenditures	<u>6,117</u>	<u>5,289</u>		
<b>Total Decreases</b>	<u>\$ 184,001</u>	<u>\$ 177,350</u>	<u>\$ 7,927</u>	<u>\$140,855</u>
<b>Balance, end of year</b>	<u>\$4,814,414</u>	<u>\$4,070,275</u>	<u>\$66,875</u>	<u>\$ 64,594</u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Schedule of Administrative Expenditures

for the year ended December 31, 1984

	1984 (000's)	1983 (000's)
<b>Personnel Services Including Employee Benefits</b>		
Salaries of regular staff	\$3,045	\$2,628
Salaries of casual staff	119	84
Pensions	223	193
Employee benefits	<u>232</u>	<u>198</u>
	<u>\$3,619</u>	<u>\$3,103</u>
<b>Transportation and Communication</b>		
Travel	\$ 153	\$ 123
Telephone	144	141
Postage and express	<u>96</u>	<u>116</u>
	<u>\$ 393</u>	<u>\$ 380</u>
<b>Purchase of Services</b>		
Actuarial	\$ 152	\$ 105
Audit	61	60
Medical	15	18
Legal	121	233
Other professional	170	45
Recruitment and training	39	10
Office rental	727	502
Computer processing	234	207
Equipment maintenance	22	13
Insurance	4	3
Board's services	133	110
Research and information	<u>70</u>	<u>67</u>
	<u>\$1,748</u>	<u>\$1,373</u>
<b>Materials and Supplies</b>		
Furniture and equipment purchases	\$ 60	\$ 83
Supplies and stationery	140	165
Publications for members and employers	77	110
Office alterations	5	—
Amortization of Leasehold Improvements	<u>75</u>	<u>75</u>
	<u>\$ 357</u>	<u>\$ 433</u>
<b>Total Expenditures</b>	<u><u>\$6,117</u></u>	<u><u>\$5,289</u></u>
<b>Distribution</b>		
• Pensions	\$3,461	\$2,959
• Investments	<u>2,656</u>	<u>2,330</u>
	<u><u>\$6,117</u></u>	<u><u>\$5,289</u></u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements for the year ended December 31, 1984

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Investments*

Investments are recorded in the accounts at cost. Gains or losses on their disposal are credited or charged to income. Income from investments is recorded on the accrual basis.

#### *Contributions*

Member and employer contributions received subsequent to the year-end, but which are applicable to the current year, are recorded as receivables.

#### *Benefits*

Payments for benefits are recorded in the year in which such payments are made.

#### *Fixed Assets*

Leasehold improvements are recorded at cost less accumulated amortization. The basis of amortization is straight-line over a 5 year period.

### 2. INVESTMENTS

The following is a description of the investments:

- (a) Province of Ontario debentures issued under section 8(2) & (4) of the Ontario Municipal Employees Retirement System Act.

<u>Date of Maturity</u>	<u>Weighted Average Interest Rate</u>	<u>Cost (000's)</u>
December 31, 1993	8.06%	\$ 129,500
December 31, 1994	9.50%	148,825
December 31, 1995	9.70%	182,250
December 31, 1996	6.00%	20,100
December 31, 1997	6.30%	24,900
December 31, 1998	7.21%	33,100
December 31, 1999	8.19%	46,700
December 31, 2000	9.10%	57,600
December 31, 2001	7.85%	75,000
December 31, 2002	9.50%	265,800
December 31, 2003	9.45%	187,950
December 31, 2006	9.77%	121,300
		<u>\$1,293,025</u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements for the year ended December 31, 1984

### 2. INVESTMENTS (continued)

The weighted average interest rate on the total investment in Ontario debentures is 9.07%.

Market value for the Ontario debentures has not been determined as these debentures have no quoted market value. The values stated remain unchanged from those reported at December 31, 1983.

- (b) Investments commencing September 30, 1975 under section 8(6) of The Ontario Municipal Employees Retirement System Act which are subject to the limitations of the regulations of The Pension Benefits Act:

	1984 (000's)		1983 (000's)	
	Market Value	Cost	Market Value	Cost
Short Term Deposits	\$ 144,566	\$ 144,566	\$ 115,063	\$ 115,063
Bonds & Debentures	1,152,914	1,147,217	893,454	911,644
Mortgages	964,104	942,925	790,663	767,418
Equities	1,702,944	1,438,150	1,406,256	1,078,744
Real Estate	258,190	236,612	169,651	149,227
Venture Capital & Other	79,347	79,347	53,447	53,447
	<u>\$4,302,065</u>	<u>\$3,988,817</u>	<u>\$3,428,534</u>	<u>\$3,075,543</u>

Market value is quoted value for bonds, debentures and equities.

Market value for mortgages is computed based on market yields.

Market value for real estate is appraised value as provided by our property managers.

Market value for venture capital and other has been assumed to equal the cost due to the special nature of the investment.

	1984 (000's)	1983 (000's)
(c) Total investments at cost	<u>\$5,281,842</u>	<u>\$4,368,568</u>

### 3. BASIC BENEFITS RESERVE

The basic benefits reserve is maintained for the payment of pensions to retired members or their beneficiaries and the future payment of pensions and benefits to contributing members and to terminated members who have elected a deferred pension.

The latest actuarial valuation of the Fund dated January 1, 1984 determined the total actuarial liabilities of the Fund for basic benefits to be \$4,079,053,000 using the unit credit cost method. The adjusted book value of accumulated assets at that date was \$4,188,068,000 resulting in an actuarial surplus of \$109,015,000.

The results of the actuarial valuation projected to December 31, 1984, indicate that the existing levels of member and employer contributions are sufficient to meet the cost of benefits earned from January 1, 1984 to December 31, 1984.



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements for the year ended December 31, 1984

### 4. SUPPLEMENTARY BENEFITS RESERVES

Under the terms of The Ontario Municipal Employees Retirement System Act various participating employers have entered into agreements with the Board for the provision of supplementary benefits. The supplementary reserves represent the net assets available for payment of benefits under the agreements. Each employer is responsible, individually, for the funding of such benefits.

Effective January 1, 1983 all assets and liabilities with respect to prior service agreements were transferred to the supplementary reserve. On the same date, the assets and liabilities of most supplementary agreements were then transferred to the basic OMERS plan.

Where the assets transferred from the previous agreements were not sufficient to provide for the liabilities, the unfunded amounts were identified and are being paid off by the participating employers. Such unfunded liabilities are now recorded in the basic benefits reserve and are offset by a long-term receivable from the participating employers, to be paid, with interest, over a period not to exceed 15 years. For any previous agreements where the assets were in excess of liabilities, the resulting surplus was refunded to the participating employers.

Supplementary agreements entered into by employers with the Board subsequent to January 1, 1983 are subject to a final determination of the actuarial liability for benefits under each agreement. The liabilities determined under each new supplementary agreement are recorded in the basic benefits reserve and are offset by a long-term receivable from the participating employers with repayment terms similar to those stated above.

### 5. ADMINISTERED PENSION FUNDS

The administered pension funds (which form part of the Fund and which are administered on behalf of the Ontario Council of Regents for Colleges of Applied Arts and Technology, the Ryerson Polytechnical Institute, the members of the Legislative Assembly as represented by the Board of Internal Economy [The Caucus Employees Retirement Fund] and the Minister of Energy for the Province of Ontario [The Ontario Hydro Guarantee Fund]) are credited with amounts which are equal to the income earned by the Fund from the investment of the monies deposited in the Fund by the administered pension funds. The Ontario Municipal Employees Retirement Board is authorized under the terms of the various management agreements to recover its expenses for administering the aforementioned plans.

### 6. COMMITMENTS

Total investment commitments outstanding at December 31, 1984 amounted to approximately \$326 million of which \$190 million relates to mortgages, \$55 million to real estate, \$14 million to term lending, \$16 million to bonds, and the remaining \$51 million to venture capital and other.

The administration of the Fund is conducted on leased premises and the Fund has entered into a lease agreement which involves a minimum annual base rental of \$518,190 to August 31, 1988.

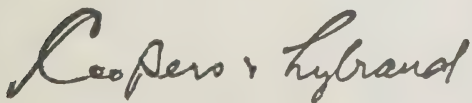


March 29, 1985

AUDITORS' REPORT TO THE  
ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

We have examined the balance sheet of the Ontario Municipal Employees Retirement Fund as at December 31, 1984, and the statement of the reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1984 and the results of its operations for the year ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A stylized, handwritten signature of the firm Coopers & Lybrand in dark ink.

CHARTERED ACCOUNTANTS

THE *Wyatt* COMPANY

PENSION PLANS  
EMPLOYEE BENEFITS  
ADMINISTRATIVE SYSTEMS  
INTERNATIONAL BENEFITS  
RISK MANAGEMENT  
COMPENSATION PROGRAMS  
EMPLOYEE COMMUNICATIONS

ACTUARIES & CONSULTANTS

150 YORK STREET  
SUITE 1700  
TORONTO ONTARIO M5H 3S5

(416) 867-0393

HALIFAX MONTREAL  
OTTAWA TORONTO  
CALGARY VANCOUVER  
AND  
PRINCIPAL CITIES  
AROUND THE WORLD

Actuarial Certificate at December 31, 1984  
Ontario Municipal Employees Retirement Board

The most recent actuarial valuation of the above Plan was conducted at January 1, 1984 using the unit credit cost method.

The results of the valuation disclosed total actuarial liabilities of \$4,079.053 million in respect of benefits accrued for service to January 1, 1984. The adjusted book value of accumulated assets at that date was \$4,188.068 million indicating an actuarial surplus of \$109.015 million.

The results of the valuation at January 1, 1984 also indicated that the existing levels of employee and employer contributions are sufficient to meet the cost of benefits to be earned each calendar year until the next actuarial valuation is made.

We are of the opinion, therefore, that the assets of the Fund at December 31, 1984 are sufficient to meet all the liabilities of the Plan in respect of services rendered by members up to that date.

Respectfully submitted

THE WYATT COMPANY



March 12, 1985

R. Alvin Field, F.S.A.  
Fellow, Canadian Institute of Actuaries

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## 5 Year Review of Financial Data — 1980 to 1984

(\$ Thousands)	1984	1983	1982	1981	1980
<b>*Investments at Cost</b>					
Provincial Debentures	\$1,293,025	\$1,293,025	\$1,293,025	\$1,293,025	\$1,293,025
Marketable Securities	<u>3,988,817</u>	<u>3,075,543</u>	<u>2,440,504</u>	<u>1,776,764</u>	<u>1,215,409</u>
	<u>\$5,281,842</u>	<u>\$4,368,568</u>	<u>\$3,733,529</u>	<u>\$3,069,789</u>	<u>\$2,508,434</u>
<b>*Reserve for</b>					
Basic Benefits	\$4,814,414	\$4,070,275	\$3,191,720	\$2,604,125	\$2,118,691
Prior Service Agreements	—	—	4,361	4,714	4,929
Supplementary Benefit Agreements	66,875	64,594	190,304	176,539	153,088
Managed Plans	<u>597,789</u>	<u>499,299</u>	<u>413,160</u>	<u>340,059</u>	<u>276,819</u>
	<u>\$5,479,078</u>	<u>\$4,634,168</u>	<u>\$3,799,545</u>	<u>\$3,125,437</u>	<u>\$2,553,527</u>
<b>Investment Income Earned</b>					
Basic Plan	\$457,582	\$371,133	\$298,605	\$238,447	\$177,907
Prior Service Agreements	—	—	225	235	246
Supplementary Benefit Agreements	7,036	6,715	17,704	14,318	12,703
Managed Plans	<u>60,060</u>	<u>47,192</u>	<u>39,341</u>	<u>31,479</u>	<u>23,930</u>
	<u>\$524,678</u>	<u>\$425,040</u>	<u>\$355,875</u>	<u>\$284,479</u>	<u>\$214,786</u>
<b>Contributions Received</b>					
Basic Plan	\$376,905	\$361,937	\$336,368	\$289,121	\$253,571
Basic Plan Unfunded Liabilities	21,329	134,315	—	—	—
Prior Service Agreements	—	—	32	32	32
Supplementary Benefit Agreements	<u>7,036</u>	<u>4,069</u>	<u>41,504</u>	<u>37,507</u>	<u>29,768</u>
	<u>\$405,270</u>	<u>\$500,321</u>	<u>\$377,904</u>	<u>\$326,660</u>	<u>\$283,371</u>
<b>Payments to Members</b>					
Pensions Paid	\$ 86,858	\$ 69,315	\$ 55,304	\$ 45,128	\$ 35,480
Contributions and Interest Refunded	23,377	26,115	16,064	21,676	17,822
Transfers to Other Plans	<u>1,548</u>	<u>1,347</u>	<u>1,619</u>	<u>1,106</u>	<u>1,050</u>
	<u>\$111,783</u>	<u>\$ 96,777</u>	<u>\$ 72,987</u>	<u>\$ 67,910</u>	<u>\$ 54,352</u>
<b>Administrative Expenditures and Recoveries</b>					
Pension Program					
Gross	\$ 3,461	\$ 2,959	\$ 2,721	\$ 2,399	\$ 2,133
Fee Recoveries	<u>505</u>	<u>513</u>	<u>832</u>	<u>765</u>	<u>640</u>
Net	\$ 2,956	2,446	\$ 1,889	\$ 1,634	\$ 1,493
Investment Program	<u>2,656</u>	<u>2,330</u>	<u>1,641</u>	<u>1,073</u>	<u>723</u>
	<u>\$ 5,612</u>	<u>\$ 4,776</u>	<u>\$ 5,530</u>	<u>\$ 2,707</u>	<u>\$ 2,216</u>
<b>Annual Return on Investments at Cost</b>					
Provincial Debentures	9.07%	9.07%	9.07%	9.07%	9.07%
Marketable Securities	12.40%	11.66%	12.13%	12.09%	10.71%
Total Portfolio	11.45%	10.80%	10.91%	10.63%	9.74%

Unaudited figures

\*the amount shown for each year as at December 31 is cumulative

# **ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM** **5 Year Review of Selected Data — 1980 to 1984**

	<u>1984</u>	<u>1983</u>	<u>1982</u>	<u>1981</u>	<u>1980</u>
*Employers					
Municipalities	493	490	491	489	487
School Boards	133	133	129	126	122
Other Local Boards	426	423	422	422	418
	<u>1,052</u>	<u>1,046</u>	<u>1,042</u>	<u>1,037</u>	<u>1,027</u>
*Members Contributing, Employed by					
Municipalities	67,024	65,588	64,510	63,280	61,875
School Boards	33,253	32,536	32,027	30,828	30,033
Other Local Boards	30,168	29,725	29,584	28,929	27,823
	<u>130,445</u>	<u>127,849</u>	<u>126,121</u>	<u>123,037</u>	<u>119,731</u>
*Members Contributing					
Female	50,005	48,287	46,924	44,827	42,743
Male	80,440	79,562	79,197	78,210	76,988
	<u>130,445</u>	<u>127,849</u>	<u>126,121</u>	<u>123,037</u>	<u>119,731</u>
*Normal Retirement Age 65	112,704	110,343	108,855	106,314	103,420
*Normal Retirement Age 60	<u>17,741</u>	<u>17,506</u>	<u>17,266</u>	<u>16,723</u>	<u>16,311</u>
	<u>130,445</u>	<u>127,849</u>	<u>126,121</u>	<u>123,037</u>	<u>119,731</u>
*Terminated Members Who Have Elected a Deferred Pension	3,786	3,721	3,710	3,326	3,551
*Number of Pensioners by Type of Pension					
Normal Retirement	15,218	14,386	13,442	12,540	11,558
Early Retirement	4,841	4,034	3,341	2,886	2,451
Disability Retirement	1,705	1,603	1,473	1,379	1,232
Spouses and Children	6,387	5,590	5,031	4,505	4,029
	<u>28,151</u>	<u>25,613</u>	<u>23,287</u>	<u>21,310</u>	<u>19,270</u>
*Total Membership Comprising Contributing Members, Deferred Pensions and Pensioners	<u>162,382</u>	<u>157,183</u>	<u>153,118</u>	<u>147,673</u>	<u>142,552</u>
Number of Members Enrolled Each Year	11,436	9,901	11,764	14,475	13,914
Number of Members Terminated Each Year	<u>8,840</u>	<u>8,173</u>	<u>8,680</u>	<u>11,169</u>	<u>11,669</u>
Net Increase in Membership	<u>2,596</u>	<u>1,728</u>	<u>3,084</u>	<u>3,306</u>	<u>2,245</u>

Unaudited figures

\*Cumulative totals at year end

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Historical Highlights

**1962** — An Act establishing the Ontario Municipal Employees Retirement System was given Royal Assent on April 18th.

**1963** — The first members of the System were enrolled on January 1st and the first contributions received one month later.

**1965** — Amendments were made for the "locking-in" of contributions as required under the Pension Benefits Act.

After July 1, 1965 all persons engaged by a municipality or local board must participate in OMERS to receive pension benefits.

Provision was made for OMERS to manage and administer other pension plans.

**1966** — The contributions and benefits were integrated with the contributions and benefits of the Canada Pension Plan.

Employees of electric utilities became members of OMERS for the first time.

**1967** — The supplementary benefit program was introduced.

**1968** — The eleven member Board was appointed by the Lieutenant Governor in Council on January 1.

The interest rate on the special Provincial debentures issued to OMERS at each year end was increased from 5% to 6½%.

The benefit formula was increased 10% from 2% of career earnings to 2.2% of career earnings.

**1969** — A disabled widower was extended the same benefits as a widow on the death of a member.

**1970** — The interest rate on the special Provincial debentures issued to the Board at each year end was changed from 6½% to the average borrowing costs of the Province during a year.

All basic pension benefits earned or payable on December 31, 1970 were increased by 10%.

**1971** — All basic pension benefits earned or payable at December 31, 1971 were increased by 5%.

In addition to the 50% widows' and disabled widowers' pensions payable on the death of a member, a further pension of 10% for each child of the deceased member to a maximum of 25% was introduced.

**1972** — Councillors became eligible for membership in the System.

All basic pension benefits earned or payable on December 31, 1972 were increased by 5%.

**1973** — An employer could improve the pensions being paid to retired employees through the System.

Rates of interest on special Provincial debentures issued to the Board during the years 1963 to 1969 were retroactively adjusted.

All basic pension benefits earned or payable at December 31, 1973 were increased by 5%.

**1974** — A portion of available funds could be invested in marketable securities under the provisions of the Pension Benefits Act commencing in 1975.

**1975** — All basic pension benefits earned by active and deferred members as at December 31, 1975 were increased by 10%.

All pensions being paid to retired members on December 31, 1975 were increased by 10%.

A widower of a member became entitled to the same 50% pension as a widow on the death of a member.

Board authorized to invest a portion of funds in capital market securities.

**1976** — Optional service, being service with another governmental employer or war service, was added to the supplementary benefit program.

**1978** — Pension formula changed from 2.2% career average earnings basis to a 2% final average earnings basis.

All pensions being paid to retired members on December 31, 1977 were increased by 3% from March 1, 1978.

**1979** — All available funds invested in capital market securities.

**1980** — All pensions being paid to retired members on January 1, 1979 were increased by 4% from January 1, 1981.

**1981** — Spousal benefits no longer cease on remarriage and the reduction in the spouse pension when the spouse is more than 10 years younger than spouse was eliminated.

**1982** All pensions being paid to retired members on December 1, 1981 were increased 4% from July 1, 1982.

**1983** All pensions being paid to retired members on December 1, 1982 were increased 4% from July 1, 1983. All vested deferred pensions were similarly increased plus a retroactive adjustment for increases granted to pensions in 1982, 1981, 1980 and 1978.

"90 Factor" unreduced early retirement pensions were introduced.

**1984** — All pensions being paid to retired members on December 1, 1983 were increased 4% from July 1, 1984. All vested deferred pensions and all fixed amounts of pensions were similarly increased.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Benefits

as at December 31, 1984

### Basic Benefits

**Normal retirement** at age 65 — except policemen and firemen who may retire at age 60.

The annual **normal retirement pension** payable to a member is 2% of pensionable earnings multiplied by years of credited service, reduced when the member becomes entitled to a pension under the Canada Pension Plan. In this formula:

"pensionable earnings" means the annual average of the 60 highest consecutive months of earnings;

"credited service" means service when contributions have been made, transferred in service and past service under a full Type 1 supplementary benefit;

"CPP reduction" means 0.7% of the annual average of the Year's Maximum Pensionable Earnings under the CPP in the year of retirement and the two preceding years times credited service since January 1, 1966.

A **total disability retirement benefit** for a disability that, in the first two years, renders a member incapable of performing the duties of his or her position and thereafter of any substantially gainful employment. The totally disabled member may continue to accrue credited service without contribution until normal retirement age or may elect a disability pension.

A **pension for life to a widow or widower** of one-half the member's pension plus 10% for each child under 21 years of age to a maximum of 25% and, where there is no widow or widower, a pension of one-half the member's pension to the child or children of the member under 21 years of age.

A **deferred pension**, payable at normal retirement age, if a member ceases to be employed before his normal retirement date. The pension benefits earned by a member under the System vest immediately in the member.

An **early retirement pension**, commencing within the 10 year period before normal retirement age payable without reduction if the age and service of the member totals 90 or more or reduced 5% per year.

A **refund** of the contributions of a member plus interest if the member terminates his employment, except if at termination the member has 10 years of continuous service with the employer and is over 45 years of age, then his contributions made after January 1, 1965 may not be refunded.

**Portability** of the credited service if a member transfers employment from one participating employer to another or to other governmental pension plans under special reciprocal transfer agreements.

**Supplementary Benefits** (provided by an agreement between a participating employer and OMERS)

### Full Type 1 — Final Average Earnings, Past Service Pension

The full Type 1 provides for the service of a member before the member's employer participated in OMERS (past service) to become credited service in the basic plan and be fully portable within the System. Any pension earned under a previous pension plan for the same period of past service is deducted from the pension from OMERS.

### Partial Type 1 — Final Average Earnings, Past Service Pension

The partial Type 1 provides a portion of a benefit based on 2% of final average earnings and service before the member's employer participated in OMERS (past service). Any pension earned under a previous pension plan for the same period of past service is deducted from the pension from OMERS.

### Type 2 — Current Average Earnings, Past Service Pension

As of January 1, 1983 this type of supplementary benefit is no longer available although all existing agreements at the end of 1982 will continue to operate and member pension amounts are protected.

### Type 3 — Unreduced Early Retirement Pension for Members with a Normal Retirement Age of 60 Years

The Type 3 benefit provides for payment of an unreduced pension if a member retires within 10 years of normal retirement date under the following conditions:

- (a) completion of 30 or more years of service with the employer, or
- (b) due to permanent partial disability as determined by the employer.

### Type 3 — Unreduced Early Retirement Pension for Members with a Normal Retirement Age of 65 Years

The Type 3 benefit provides for payment of an unreduced pension only if a member retires within 10 years of normal retirement date due to permanent partial disability as determined by the employer.

**Optional Service** — The service of a member with another governmental employer or war service may be added to a Type 1 or Type 2 benefit and the member must contribute on a formula basis to be entitled to this service. This service becomes additional past service of the member.



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Summary of Marketable Securities

### as at December 31, 1984

(\$ Thousands)

	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
<b>Short Term</b>	<u>\$ 144,566</u>	<u>3.6%</u>	<u>10.32%</u>	<u>\$ 144,566</u>
<b>Bonds</b>				
Government — Canada	\$ 414,641	10.4%	12.18%	\$ 420,847
— Provincial	310,432	7.8	12.08	309,142
— Municipal	23,366	0.5	10.66	20,636
Corporate	307,884	7.7	12.87	311,066
World Bank	6,149	0.2	10.59	6,478
Term Loans	<u>84,745</u>	<u>2.1</u>	<u>14.12</u>	<u>84,745</u>
Total Bonds	<u>\$1,147,217</u>	<u>28.7%</u>	<u>12.44%</u>	<u>\$1,152,914</u>
<b>Mortgages</b>				
Residential				
— Single Family	\$ 12,571	0.3%	12.65%	\$ 12,651
— Rental	744,106	18.7	13.17	752,884
— Condominium	903	0.1	13.73	919
Commercial				
— Rentals	2,104	0.1	13.69	2,191
— Office Buildings	93,983	2.3	12.64	100,596
— Shopping Centres	59,371	1.5	12.51	64,490
— Hotel	17,263	0.4	13.51	17,471
— Retail	3,979	0.1	12.24	3,957
— Industrial Buildings	<u>8,646</u>	<u>0.2</u>	<u>13.58</u>	<u>8,945</u>
Total Mortgages	<u>\$942,926</u>	<u>23.7%</u>	<u>13.07%</u>	<u>\$964,104</u>
<b>Equities</b>				
Canada				
Individual Stocks				
— Metals and Minerals	\$ 87,779	2.2%	3.06%	\$ 94,795
— Oil and Gas	213,519	5.3	2.21	207,942
— Paper and Forest Products	61,496	1.5	1.05	72,390
— Consumer Products	50,064	1.2	6.87	99,608
— Industrial Products	120,629	3.0	4.60	141,028
— Real Estate and Construction	22,972	0.6	2.00	27,052
— Transportation	971	0.1	3.82	1,325
— Pipelines	41,851	1.1	4.97	37,160
— Utilities	34,619	0.9	9.16	46,479
— Communications and Media	18,489	0.5	3.08	32,410
— Merchandising	42,240	1.0	3.78	37,625
— Financial Services	176,119	4.4		213,445
— Management Companies	59,810	1.5	3.90	75,963
Convertible Debentures	21,986	0.6	8.85	23,885
Mutual Funds	<u>20,066</u>	<u>0.5</u>	<u>2.08</u>	<u>28,664</u>
Total Canadian Equities	<u>\$972,610</u>	<u>24.4%</u>	<u>4.19%</u>	<u>\$1,139,771</u>

# **ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND** **Summary of Marketable Securities** **as at December 31, 1984**

(\$ Thousands)	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
<b>Equities (continued)</b>				
Non-Canada (Canadian \$)				
United States				
— Individual Stocks				
— Machines	\$ 12,514	0.3%	4.43%	\$ 13,716
— Electrical	6,147	0.2	4.16	7,115
— Metals & Minerals	14,134	0.4	4.44	15,677
— Pollution Control	6,074	0.2	1.80	6,436
— Chemicals	6,238	0.2	4.20	4,818
— Diversified — Building	3,534	0.1	10.14	10,869
— Misc. & Diversified	17,782	0.4	4.16	17,722
— Office Equipment	22,781	0.5	2.87	25,753
— Oil — International	18,885	0.5	7.52	18,861
— Oil — Domestic	9,071	0.2	6.55	13,390
— Oil Well Equipment	13,147	0.3	3.11	10,267
— Drugs	21,771	0.5	5.54	30,490
— Hospital Management	6,085	0.2	2.81	6,057
— Electrical Appliances	5,408	0.1	3.18	6,989
— Cosmetics	10,290	0.3	7.34	15,415
— Autos	3,206	0.1	6.73	3,488
— Food	10,570	0.3	8.62	20,626
— Photography	11,832	0.3	5.76	15,774
— Retailing	2,134	0.1	8.41	8,063
— Banks	10,646	0.3	6.30	12,331
— Utilities	13,534	0.3	10.68	17,537
Mutual Funds	110,283	2.7	3.10	145,384
Global				
— Managed Funds	129,474	3.2	—	136,395
Total Non-Canadian Equities	<u>\$ 465,540</u>	<u>11.7%</u>	<u>3.55%</u>	<u>\$ 563,173</u>
Total Equities	\$1,438,150	36.1%	3.89%	\$1,702,944
 <b>Real Estate</b>	 236,611	 5.9	 8.83	 258,190
 <b>Venture Capital &amp; Other</b>	 <u>79,347</u>	 <u>2.0</u>	 <u>1.0</u>	 <u>79,347</u>
<b>Total Market Fund Investments</b>	<u><u>\$3,988,817</u></u>	<u><u>100.0%</u></u>	<u><u>8.96%</u></u>	<u><u>\$4,302,065</u></u>

**\*Estimated Market Values**

Bonds:	Quoted values	Real Estate:	Appraised values
Mortgages:	Computed on current market yields	Venture Capital	
Equities:	Quoted values	& Other:	Cost







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# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD



## 1985 ANNUAL REPORT



**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD**  
**1985 ANNUAL REPORT**





**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD**  
2 BLOOR STREET WEST (27TH FLOOR), TORONTO, ONTARIO M4W 3E2. (416) 926-2400

April 24, 1986

The Honourable Robert Nixon  
Treasurer of Ontario and  
Minister of Economics  
Frost Building South  
7 Queen's Park Crescent  
Toronto, Ontario  
M7A 1Y7

Dear Mr. Nixon,

I am pleased to present to you the Annual Report of the Ontario Municipal Employees Retirement Board for the year ended December 31, 1985 in accordance with subsection 4(8) of the Ontario Municipal Employees Retirement Systems Act.

At the end of 1985 monthly pensions were paid to 30,881 retired members or their beneficiaries, contributions were received from 135,098 members and 1,063 participating employers. Invested assets at book value totalled \$6.274 billion with \$1.293 billion invested in special debentures of the Province of Ontario and \$4.980 billion invested in capital market securities with a market value of \$5.798 billion.

An actuarial valuation of the Fund on January 1, 1985 showed a surplus position of \$227 million with the current member and employer contribution rates sufficient to fund the accumulation of pension benefits in the foreseeable future.

OMERS is managed and administered by the Board on behalf of the many thousands of active and retired employees of local governments in Ontario and the stewardship of this important aspect of their retirement income is a rewarding and challenging experience for each member of the Board.

The accompanying report is respectfully submitted to you.

Yours truly,

A handwritten signature in cursive script, reading 'S. Dobbin', written in dark ink.

Samuel P. Dobbin  
Chairman of the Board

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# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

as at December 31, 1985



Mr. S. P. Dobbin, Chairman  
Stationary Engineer  
Toronto Board of Education



Mr. M. Scott, Vice Chairman  
Mayor  
Township of Lake of Bays



Mr. C. M. Beckstead  
Chief Administrative Officer  
City of Nepean



Mr. E. W. Mathews  
Reeve  
Sidney Township



Mr. C. R. Bernardi  
Director of Personnel  
and Labour Relations  
City of Sault Ste. Marie



Mr. D. S. McColl  
Assistant Deputy Minister  
Ministry of Treasury  
and Economics



Mr. G. E. Boyce  
Superintendent —  
Business Administration  
Sudbury Board of Education



Mr. A. J. Roberts  
Consumer Relations Representative  
St. Catharines Hydro Electric  
Commission



Mr. P. R. Burke  
Firefighter  
City of Windsor

Mrs. J. A. Newman resigned July, 1985 and  
Mr. R. F. Bevan retired September, 1985

**INVESTMENT POLICY COMMITTEE OF THE BOARD**  
as at December 31, 1985

Mr. R. M. MacIntosh, Chairman  
Canadian Bankers' Association

Mr. Sam Dobbin  
Chairman of the Board

Mr. J. C. C. Wansbrough, Vice-Chairman  
The National Victoria and Grey Trust Company

Mr. C. M. Beckstead  
Member of the Board

Mr. H. M. Cunningham  
Cockfield, Cooper, Cunningham  
Investment Counsel Inc.

Mr. E. W. Matthews  
Member of the Board

Mr. N. J. Short  
Guardian Capital Group Limited

Mr. A. W. Reeve  
Executive Director

Mr. P. L. Baxter  
Director of Investments

**ADVISORS TO THE BOARD**

Mr. R. A. Field, F.C.I.A.  
The Wyatt Company  
Actuary

Mr. Maurice Coombs  
Osler, Hoskin & Harcourt  
Legal Advisor

Dr. Alexander Roberts  
Medical Advisor

Coopers & Lybrand  
Auditors

**SENIOR STAFF**

Mr. A. W. Reeve  
Executive Director

Mr. G. A. Tyson  
Director of Pension  
Administration

Mr. P. L. Baxter  
Director of Investments

Mr. C. Massouras  
Director of Finance  
and Administration

**COMPOSITION OF THE BOARD**

Employee Representatives:  
Messrs. Burke, Dobbin, and Roberts

"Officer" Employee Representatives:  
Messrs. Beckstead, Bernardi, and Boyce

Elected Representatives:  
Messrs. Matthews and Scott

Provincial Official:  
Mr. McColl



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

## 1985 Annual Report

### INTRODUCTION

1985 marks the twenty-third year of operation for the Ontario Municipal Employees Retirement System (OMERS) and the eighteenth year that the responsibility for the management and administration of OMERS has been vested in a board appointed by the Lieutenant Governor in Council.

In addition to responsibilities for the basic OMERS benefits and supplementary benefits, the Board, under agreement and for a fee, manages the pension plans of Ryerson Polytechnical Institute, the Colleges of Applied Arts and Technology, the Caucus Employees of the Legislature and a special guarantee fund related to electrical utility restructuring.

This report covers the main activities of 1985 and, through schedules, provides historical data. Also included are the audited financial statements and details of the actuarial valuation of the Fund.

### MAJOR ACTIVITIES — 1985

There were no changes to the OMERS Act in 1985 but there were two amendments to the regulations under the Act as follows:

- A 4% increase to pensions under payment as at July 1, 1985 for persons receiving a pension on December 1, 1984 and higher pro-rata increases for pensions which commenced during 1984 prior to December 1. A 4% increase was also granted to deferred pensioners as at December 31, 1985 if the member became entitled to the deferred pension on or before December 31, 1984.
- Also during 1985, the Board reviewed and made several recommendations on improved benefits under OMERS to the Treasurer of Ontario. The Treasurer agreed to meet with the Board on these improved benefit recommendations and other matters as soon as possible in 1986.
- In February of 1985, the Board held its regular monthly meeting in the City of Nepean and the September Board meeting was held in the City of Sarnia. In conjunction with these meetings, the

Board met with representatives of members and employers, presented information about OMERS and discussed various aspects of the benefits and operations of OMERS that were of interest to those attending the meetings. In addition, the Board held ten monthly meetings in Toronto.

- The Board issued the "OMERS UPDATE" in February, July and December. The goal of this publication is to keep members and employers aware of the Board's activities during the year.
- At the March Board meeting, representatives of the Provincial Federation of Ontario Fire Fighters, the Canadian Union of Public Employees (Ontario Division) and the Police Association of Ontario appeared before the Board and presented separate briefs, dealing mainly with the improvement of certain benefits under OMERS. The Board reviewed these Briefs with the representatives at the meeting and subsequently informed the organizations of its views on these matters in writing.
- A participating employer brought an application for judicial review of the provisions of the regulation related to the 1983 changes to supplementary agreements providing unreduced early retirement after thirty years of service. The Divisional Court found in favour of the participating employer. The Board sought and obtained leave to appeal to the Court of Appeal from this decision.
- In 1985, the Board changed the method of approval with respect to recommendations on action items by the Investment Policy Committee. Prior to 1985, certain action items were approved by the Investment Policy Committee but not by the Board. Now all action items that are recommended at an Investment Policy Committee meeting are approved by the Board before becoming effective. Such action items include changes to the asset mix, quarterly investment programs, and major investment items.

## PENSION PROGRAM

At the end of 1985 there were 504 municipalities, 133 school boards and 426 other local boards participating in OMERS for a total of 1,063 participating employers, an increase of 11 employers in 1985.

There are 135,098 contributing members to the System. Just over half are employees of municipalities, one quarter are employees of school boards and the remainder are employees of other local boards. Two out of every five members are female and one in seven members is a policeman or fireman with a normal retirement age of 60 years.

OMERS represents a pooling of large and small municipal employers. This pool provides a reasonable level of pension benefits at stable and reasonable contribution rates. This feature of OMERS is emphasized by the fact that one half of the participating employers have fewer than 25 employees who are members of the System. In fact, the average is 9 members each. At the other extreme, 59% of the membership is employed by 62 employers with an average of 1,307 members.

Membership activity in 1985 was as follows:

Contributing Members, January 1, 1985	130,445
Members enrolled	<u>14,694</u>
	145,139

Terminated members electing a:	
refund of contributions	5,182
deferred pension	414
transfer within OMERS	506
transfer to another plan	77
Disabled members electing a waiver	813
Death of contributing members	276
Retirements	<u>2,773</u>
	10,041
Contributing members, December 31, 1985	<u>135,098</u>

Pensioners, January 1, 1985

28,151

Additions from:

active members	2,451
deferred pensions	228
disability waivers	246
spousal pensions:	
death of contributing members	186
death of pensioners	443
recommencement to remarried spouses	25
unsettled claims	<u>105</u>
	3,684
	<u>31,835</u>

Deletions from:

death of pensioners	921
suspended pensioners	11
cessation of children's pensions	<u>22</u>
	954

Pensioners, December 31, 1985

30,881

\$108.1 million was paid to pensioners in 1985, an increase of 25% over the amount paid in the previous year. The following is a summary of the types of pensions being paid by OMERS:

Normal retirement	16,358
Early retirement	5,719
Disability retirement	1,843
Spousal	6,861
Children's	<u>100</u>
	30,881

At the end of 1985, there were 3,805 members who had terminated their service and elected a deferred pension. During the year, 414 members elected a deferred pension on termination of service, 48 members re-enrolled in the system and 347 elected numerous other benefits.

On December 31, 1985, there were 7,438 members of OMERS with full past service coverage and 985 members with partial past service coverage. In addition, 12,101 members with a normal retirement age of 60 years were provided a special early retirement benefit after 30 years of service. These members were covered under sixty-two continuing supplementary agreements.

The Board has the Actuary undertake an actuarial valuation of the Fund to monitor the financing of OMERS. The latest valuation was prepared with member data as at January 1, 1985. The following table shows the results and comparable data for the valuation undertaken one year earlier.

(\$ Millions)	Actuarial Valuation Results	
	As at January 1	
	1985	1984
Actuarial Liabilities		
Present Value of:		
Pensions under payment	\$ 969.3	\$ 723.5
Vested deferred benefits	32.1	25.4
Benefits for present contributors and their survivors	3,750.6	3,329.5
Additional voluntary contribution liability	.7	.7
Total Liabilities	<u>4,752.7</u>	<u>4,079.1</u>
Fund assets at January 1	4,980.0	4,188.1
ACTUARIAL SURPLUS	\$ 227.3	\$ 109.0

The 1985 results are based on actuarial assumptions that assume salary increases of 8% per year, Fund earnings of 7% per year to the retirement of a member and 6% thereafter. The yearly Maximum Pensionable Earnings used in 1986 under the Canada Pension Plan is the actual rate of \$25,800 and it is assumed that future increases will be 5% commencing in 1987.

The valuations are based on an actuarial method referred to as the "unit credit cost method" which is the minimum funding requirement under the Pension Benefits Act (Ontario). The present value of liabilities for present contributing members and their survivors of \$3,750,577,000 is based on the credited service of each member to January 1, 1985 and on earnings at that date projected to normal retirement.

Based on the above results, OMERS continued to be fully funded. Current member and employer contribution rates appear sufficient to fund the accrual of future benefits of members and the System continues to operate in a sound financial condition.

## INVESTMENT PROGRAM

An important aspect of the financial stability of a pension plan is the growth of invested assets through investment income received or appreciation in the market value. OMERS looks to the investment program to provide the growth in value of invested assets to meet the increasing actuarial liabilities resulting from longer periods of service of members in the plan and their earning increases over time.

The Board is responsible for the investment of available funds of the basic OMERS plan, the remaining supplementary benefits and the four managed plans.

These investments are pooled and the figures presented in this section apply to the total pool of assets. At the end of 1985 the invested assets of OMERS were as follows:

(\$ Millions)	Investments as at December 31, 1985			
	Market Value		Book Value	
Marketable Securities	\$5,798	83%	\$4,981	79%
Special Provincial				
Debentures	1,171*	17%	1,293	21%
Total Investments	<u>\$6,969</u>		<u>\$6,274</u>	

\*Estimated by OMERS

A key decision required for the investment of pension funds is the percentage or share of funds to be invested in different classes of investments. The two main asset classes are debt investments and equity investments and there are sub-classes within these main classes. The Board has adopted an overall asset mix policy on the recommendation of the Investment Policy Committee of the Board and the advice of Staff. The objective of the asset mix policy over time is to provide a reasonable expectation of asset value growth to meet the future estimated liabilities with a low risk of falling short. The current asset mix policy, with percentages based on market values, is compared below to the actual position as at December 31, 1985.

	Asset Mix Policy			
	Policy Range			Actual
Class of Asset	High	Mid	Low	31/12/85
Short Term	25%	0%	0%	2.3%
Debt Investments:				
Bonds	45%	25%	15%	23.6%
Term Loans	5	3	2	2.0
Mortgages	45	22	13	21.3
	60%	50%	30%	46.9%
Equity Investments:				
Common Stock	60%	42.5%	26%	43.3%
Real Estate	10	5.0	2	5.1
Venture Capital & Other	3	2.5	2	2.4
	60%	50%	30%	50.8%
		100%		100%

During 1985 funds invested in capital market securities grew from \$4,302 million to \$5,798 million at market value, an increase of 35%. This change is the result of new cash flow from member and employer contributions, investment income and realized and unrealized capital gains. In summary by asset class, the changes in market value in 1985 are as follows:



# MARKET VALUE CHANGE IN 1985

(\$ Millions)

Asset Class	Market Value 31/12/84	Cash Flow 1985	Capital Gains (Losses)		Market Value 31/12/85
			Realized	Unrealized	
Short Term	\$ 128	\$ 4			\$ 132
Bonds	1,068	200	\$ 3	\$ 95	1,366
Term Loans	85	29			114
Mortgages	964	184		76	1,224
Common					
Stock	1,720	475	143	179	2,517
Real Estate	258	39	1	7	305
Venture Capital and Other	79	61			140
Total	<u>\$4,302</u>	<u>\$992</u>	<u>\$147</u>	<u>\$ 357</u>	<u>\$5,798</u>

The table below shows the annual rate of return for the last five years for the marketable securities and total investments (the combined marketable securities and special Provincial debentures). These rates of return are based on the realized and unrealized gains and income re-invested but excluding pension contribution cash flows.

## Annual Rates of Return

Year	Capital Market Securities	Total Investments
1985	23.5%	23.9%
1984	9.5	11.0
1983	20.4	15.7
1982	25.1	33.1
1981	3.5	(0.6)
5 year period 1981-1985	16.1	16.0

During the five year period, the Consumer Price Index increased at an annual rate of 6.8%. The annual real rate of return (rate of return less CPI) for the five year period 1981 to 1985 was 9.3% for the capital market security portion and 9.2% for total investments. Also, a private pension fund performance measurement service has indicated that the annual rate of return for the average fund for the five year period 1981 to 1985 was 14.8%.

These rates of return are measured from the market value of investments and include unrealized capital gains and should not be confused with the annual rate of return based on the investments at cost and reported on schedule 1. The return on investments (shown on schedule 1) is used to determine increases to pensions each year.

The Canadian economy put in a solid performance in 1985, expanding 4.5% in real terms — double the growth rate recorded in the United States. At the same time, inflation remained under control, averaging 4% for the year, and interest rates continued their down-

ward trend. The yield on long term Government of Canada bonds fell to 10.1% by December 31, 1985, compared with 11.7% a year earlier and the closely-watched chartered bank prime lending rate fell to 10.0% from 11.25%. Rates might have fallen even further, had the Canadian dollar not continued its 10 year slide, coming to rest at 71.5 cents (U.S.) by year-end (down 4 cents from a year earlier). The steady improvement in economic conditions helped to generate some 370,000 new jobs in Canada, although the unemployment rate remained distressingly high: 10% at year end, compared with 10.8% a year earlier.

On the international front, there were three events which are expected to have major impacts on the world economy in 1986 and beyond. The first of those was a dramatic decline in the value of the U.S. dollar, which is expected to produce a restructuring of world trade flows and a general easing of protectionist sentiment in the United States. A second event was the passage of the Gramm-Rudman-Hollings amendment by the U.S. Congress, which promises to eliminate the federal deficit in five years time, thereby reducing upward pressure on interest rates. The third major event, beginning around the end of the year and gathering momentum in early 1986, was the slide in world oil prices, precipitated by the abrupt reversal of Saudi Arabian oil policy to protect their market share regardless of the price consequences. Lower oil prices will hurt Canadian oil producers and their creditors, and their problems should not be underestimated. However, in time, the Canadian economy will benefit from a substantial reduction in energy prices and inflation.

In considering economic policy, governments have found that their options are severely limited. In order to curb deficits, they have resorted to both tax increases and expenditure restraint. However, finance ministers are keenly aware that they tread a fine line and that too much emphasis on higher taxes could easily backfire by hamstringing the economy. Policy choices in future will become increasingly difficult.

The bond market in 1985 continued the pattern set by the previous year — a steady downward progress in interest rates (long term Canada bond yields reduced by 2%) but even greater volatility in prices. This type of market provides both opportunities and hazards for fixed income investing and we were pleased to be able to maintain a good level of return with net purchases of \$200 million. Capital gains in excess of \$2 million were realized and the lending of securities produced an increasing source of additional income.

The short term portfolio continued to provide a good level of income as well as the liquidity for other investment opportunities.



In 1985, the term lending portfolio increased in size from \$85 to \$114 million. This represents an increase of 34% or \$29 million in invested funds over the prior year.

New mortgage commitments totalled \$431 million during 1985 with \$291 million insured by CMHC under the National Housing Act and the balance of \$140 million in commercial properties.

Five year mortgage rates started the year at 12%, rose to 13% by March, and then gradually fell to 10¼% by year end. Spreads over bond sales, which were very narrow in the early part of 1985 due to aggressive bidding by institutional lenders, began to widen and by year end showed a 125 basis point premium.

The following table shows the distribution by market value of the equity portfolio:

(\$ Millions)	Equity Portfolio as at December 31	
	1985	1984
Canadian equities	\$1,666.1	\$1,139.8
U.S. equities	620.7	426.8
Global equities	<u>229.7</u>	<u>152.8</u>
	<u>\$2,516.5</u>	<u>\$1,719.4</u>

Stock markets in the U.S. and Canada achieved strong gains in the early part of 1985. Following March there was a period of consolidation in North American stock markets. The coordinated approach by the "Group of Five" to lower the value of the U.S. dollar in September brought about exceedingly strong markets on a world wide basis. This resulted in most stock markets achieving gains of well over 25% in 1985, most of the gain being achieved in the fourth quarter. Because of the heavy orientation of the TSE 300 index towards resource related issues, the Canadian stock market was one of the weakest performers on a world-wide basis. Stock market weakness in the resource sector, however, allowed OMERS to find investments at attractive values. Interest sensitive stocks were reduced during the year. Stock lending was somewhat hampered during 1985 by a lack of demand from investment dealers. OMERS was more active, however, in writing covered calls during the year. Realized gains on equities amounted to \$143 million during 1985 compared with \$86 million in 1984.

The Venture Capital and Other portfolio consists of oil and gas investments, venture capital investments and private equity placements. In 1985, this segment of the portfolio increased from \$79 to \$140 million, an increase of \$61 million or 77%.

In 1985, the Real Estate portfolio increased in size from \$291 to \$303 million in invested and committed

money, representing an increase of \$12 million or 4.1% over the total at the end of 1984. The following table shows the change in the Real Estate portfolio cost and market values of invested money between 1984 and 1985.

(\$ Millions)	Real Estate Portfolio as at December 31			
	1985		1984	
	Cost	Market	Cost	Market
Invested				
Money	\$275	\$305	\$237	\$258
Outstanding				
Commitments	<u>28</u>	<u>28</u>	<u>54</u>	<u>54</u>
Total	<u>\$303</u>	<u>\$333</u>	<u>\$291</u>	<u>\$312</u>

Investment activity in 1985 was split between the Constitution Square development project in Ottawa and a number of smaller projects through several real estate investment vehicles.

## FINANCE AND ADMINISTRATION PROGRAM

The administration of OMERS includes pension administration for the basic plan, the remaining supplementary benefit program and the four plans managed by the Board under agreement, which are separate and distinct from OMERS. The Board receives management fees for the supplementary benefit program and the managed plans and these fees amounted to \$565,000 in 1985 as compared to \$505,000 in 1984.

Some important financial highlights for 1985 are as follows:

- member contributions to the basic plan including optional service amounts were 202.5 million, an increase of 6.4% over 1984
- employer contributions to the basic plan matched those of members
- total investment income received in 1985 amounted to \$651 million with \$8 million credited to supplementary benefits, \$74 million to managed plans and \$569 million to the basic OMERS plan
- 62 supplementary agreements are still operative for members with a normal retirement age of 60 years and assets of \$77 million are held for this purpose
- benefit payments in 1985 totalled \$137 million with \$108 million paid as monthly pensions to retired members or their beneficiaries and the balance paid as refunds to members terminating employment or transfers to other pension plans.

In addition to the administration aspects of the various pension programs, the Board is also responsible for the management and administration aspects of the investment program. The Board, with the assistance of advisors, has developed expenditure guidelines to ensure that administrative expenditures are controlled within a framework that allows the various growth elements to be managed prudently and properly.

The guidelines are as follows:

- 1% of member and employer contributions to the basic OMERS plan
- 1/10 of 1% of the year end amortized cost of the capital market security portion of the investment program
- management fees for supplementary benefits and the managed pension plans.

The following table compares total administrative expenditures to the expenditure guideline and the percentage column indicates the portion actual expenditures are of the guideline:

(\$ Thousands)	Actual	Expenditure	
Year	Expenditures	Guideline	Percentage
1985	\$8,200	\$8,614	95%
1984	6,117	8,302	74%
1983	5,289	7,208	73%
1982	4,362	6,613	66%
1981	3,472	5,431	64%
1980	2,856	4,382	65%

As would be expected in an administrative organization, 52% of the expenditures are related to compensation and a further 11% to consultants and advisors for such specialties as actuarial, medical, legal, audit and special investment needs. Accommodation and data processing require a further 19% of total expenditures.

The Board authorized a complement of 125 positions for 1985, an increase of 6 over the previous year. Much of the day to day administration of OMERS takes place in the offices of the 1063 participating employers and this is the first line of communication with members of the System. The Board is most appreciative of the dedicated work done by many municipal employees as well as by the staff of the System.

## THE BOARD AND ITS ADVISORS

During 1985 two members vacated their positions on the Board — Mrs. Anne Newman resigned on July 19th and Mr. Ron Bevan retired on September 21st. These positions remain vacant.

Mr. Sam Dobbin replaced Mr. Grant Boyce as Chairman of the Board for 1985, and Mr. Malcolm Scott became Vice-Chairman. As the new Chairman of the Board, Mr. Dobbin automatically took Mr. Boyce's position on the Investment Policy Committee. He was joined on that committee by Messrs. Merv Beckstead and Ted Matthews as Board members, replacing Messrs. Roy Bernardi and Al Roberts.

Mr. R. A. Field of the Wyatt Company continued as the Board's actuary, and Mr. Purdy Crawford of Osler, Hoskin and Harcourt was replaced as the Board's legal advisor in mid-year by Mr. Maurice Coombs. Also in mid-year, Dr. Alexander Roberts replaced the late Dr. R. G. McKenzie as the Board's medical advisor. As such, Drs. McKenzie and Roberts examined each disability claim, maintained statistical data on the various types of disability, and reported periodically to the Board on this aspect of OMERS.

## CONCLUSION

The Board is responsible for the sound management and administration of the System, the investment of funds in capital market securities, the study and promotion of improved pension benefits, the continuing financial well being of the Fund and all of the attendant administrative functions associated with the operation of a larger pension plan.

The Board is again pleased to report in 1985 that OMERS is in a sound financial position and should remain so in the foreseeable future. Benefit improvements continue to be studied and made. Member and employer contribution rates are sufficient to fund the future accumulation of pensions by the members.

The members of the Board operate OMERS on behalf of the thousands of active and retired members and their participating employers. The Board's objective is to ensure adequate retirement income at reasonable and stable costs. The 1985 results indicate a continuing progression towards this goal.


# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Balance Sheet as at December 31, 1985

	1985 (000's)	1984 (000's)
<b>Assets</b>		
Investments (note 2)	\$6,274,012	\$5,281,849
Long term receivables (note 5)	142,553	108,084
Fixed assets (note 3)	764	249
Contributions receivable	38,229	37,542
Accounts receivable	551	506
Accrued income	<u>55,879</u>	<u>63,691</u>
	<u>\$6,511,988</u>	<u>\$5,491,921</u>
<b>Reserves and Liabilities</b>		
Reserves for:		
basic benefits (note 4)	\$5,706,521	\$4,814,414
supplementary benefits (note 5)	<u>76,579</u>	<u>66,875</u>
	\$5,783,100	\$4,881,289
Deposits from administered pension funds (note 6)	713,283	597,789
Accounts payable and accruals	15,575	12,814
Pension benefits payable	<u>30</u>	<u>29</u>
	<u>\$6,511,988</u>	<u>\$5,491,921</u>

Signed on behalf of the Board

 Member

 Member

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Statement of the Reserves for the year ended December 31, 1985

	Basic benefits reserve (000's)		Supplementary benefits reserve (000's)	
	1985	1984	1985	1984
<b>Balance, beginning of year</b>	<u>\$4,814,414</u>	<u>\$4,070,275</u>	<u>\$66,875</u>	<u>\$64,594</u>
<b>Increases in Reserves</b>				
Contributions of:				
• Members	\$ 202,934	\$ 192,503		
• Employers, current service	202,367	188,266	\$ 4,127	\$ 3,172
• Members, unfunded liabilities	6,115			
• Employers, unfunded liabilities (note 4)	<u>41,064</u>	<u>8,748</u>		
	\$ 452,480	\$ 389,517	\$ 4,127	\$ 3,172
Interest income on unfunded liabilities	12,132	12,581		
Income earned from investments	643,084	517,642	8,289	7,036
Administrative expenditures recovered from:				
• Supplementary benefits reserve	41	32		
• Administered pension funds (note 5)	524	473		
Transfer to basic benefits reserve from:				
• Supplementary benefits reserve	<u>2,671</u>	<u>7,895</u>		
<b>Total Increases</b>	<u>\$1,110,932</u>	<u>\$ 928,140</u>	<u>\$12,416</u>	<u>\$10,208</u>
<b>Decreases in Reserves</b>				
Members' pensions	\$ 108,092	\$ 86,858		
Members' contributions plus interest refunded	27,094	23,377		
Transfers to other pension plans	1,515	1,548		
Income credited to administered pension funds (note 5)	73,707	60,060		
Closing supplementary agreements	217	6,041		
Transfers to basic benefits reserve for:				
• Administrative expenses			\$ 41	\$ 32
• Pension present value			2,454	1,854
• Closing supplementary agreements			217	6,041
Administrative expenditures	<u>8,200</u>	<u>6,117</u>		
<b>Total Decreases</b>	<u>\$ 218,825</u>	<u>\$ 184,001</u>	<u>\$ 2,712</u>	<u>\$ 7,927</u>
<b>Balance, end of year</b>	<u><u>\$5,706,521</u></u>	<u><u>\$4,814,414</u></u>	<u><u>\$76,579</u></u>	<u><u>\$66,875</u></u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Schedule of Administrative Expenditures for the year ended December 31, 1985

	1985 (000's)	1984 (000's)
<b>Personnel Services Including Employee Benefits</b>		
Salaries of regular staff	\$3,584	\$3,045
Salaries of casual staff	200	119
Pensions	255	223
Employee benefits	<u>272</u>	<u>232</u>
	<u>\$4,311</u>	<u>\$3,619</u>
<b>Transportation and Communication</b>		
Travel	\$ 189	\$ 153
Telephone	154	144
Postage and express	<u>105</u>	<u>96</u>
	<u>\$ 448</u>	<u>\$ 393</u>
<b>Purchase of Services</b>		
Actuarial	\$ 125	\$ 152
Audit	84	61
Medical	23	15
Legal	283	121
Other professional	392	170
Recruitment and training	46	39
Office rental	746	727
Computer processing	796	234
Equipment maintenance	34	22
Insurance	6	4
Board's services	127	133
Research and information	<u>153</u>	<u>70</u>
	<u>\$2,815</u>	<u>\$1,748</u>
<b>Materials and Supplies</b>		
Furniture and equipment purchases	\$ 134	\$ 60
Supplies and stationery	178	140
Publications for members and employers	73	77
Office alterations	8	5
Amortization of leasehold improvements	83	75
Depreciation of fixed assets	<u>150</u>	<u></u>
	<u>\$ 626</u>	<u>\$ 357</u>
<b>Total Expenditures</b>	<u><u>\$8,200</u></u>	<u><u>\$6,117</u></u>

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements for the year ended December 31, 1985

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Investments*

Investments are recorded in the accounts at cost. Gains or losses on their disposal are credited or charged to income. Income from investments is recorded on the accrual basis.

#### *Contributions*

Member and employer contributions received subsequent to the year-end, but which are applicable to the current year, are recorded as receivable.

#### *Benefits*

Payments for benefits are recorded in the year in which such payments are made.

#### *Fixed Assets*

Leasehold improvements and computer equipment are recorded at cost and are amortized and depreciated respectively on a straight line basis over 5 years.

### 2. INVESTMENTS

Investments as defined in section 8(4) and section 8(6) of The Ontario Municipal Employees Retirement System Act are subject to the limitations of the regulations of The Pension Benefits Act.

	1985 (000's)		1984 (000's)	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Short Term Deposits	\$ 131,907	\$ 131,907	\$ 128,166	\$ 128,166
Bonds & Debentures	2,773,257	2,668,988	2,445,939	2,440,242
Mortgages	1,224,082	1,127,128	964,104	942,925
Equities	2,516,480	1,930,422	1,719,351	1,454,557
Real Estate	305,092	275,416	258,190	236,612
Venture Capital & Other	140,151	140,151	79,347	79,347
	<u>\$7,090,969</u>	<u>\$6,274,012</u>	<u>\$5,595,097</u>	<u>\$5,281,849</u>

Bonds and debentures include \$1,293,025,000 (1984 — \$1,293,025,000) of Province of Ontario debentures bearing a weighted average interest rate of 9.07% and maturing at various dates beginning on December 31, 1993 through to December 31, 2006.

Market value is quoted value for bonds, debentures, (excluding Ontario debentures) and equities.

Market value for Ontario debentures has been assumed to equal the cost as these debentures have no quoted market value. The values stated remain unchanged from those reported at December 31, 1984.

Market value for mortgages is computed based on market yields.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements for the year ended December 31, 1985

### 2. INVESTMENTS (continued)

Market value for real estate is appraised value as provided by our property managers.

Market value for venture capital and other has been assumed to equal the cost due to the special nature of the investment.

### 3. FIXED ASSETS

	1985		1984
	Cost	Accumulated Depreciation & Amortization	Net
	(000's)	(000's)	(000's)
Leasehold improvements	\$ 399	\$233	\$166
Computer equipment	748	150	598
	<u>\$1,147</u>	<u>\$383</u>	<u>\$764</u>

### 4. BASIC BENEFITS RESERVE

The basic benefits reserve is maintained for the payment of pensions to retired members or their beneficiaries and the future payment of pensions and benefits to contributing members and to terminated members who have elected a deferred pension.

The latest actuarial valuation of the Fund dated January 1, 1985 determined the total actuarial liabilities of the Fund for basic benefits to be \$4,752,726,000 using the unit credit cost method. The adjusted book value of accumulated assets at that date was \$4,979,972,000 resulting in an actuarial surplus of \$227,246,000.

The results of the actuarial valuation projected to December 31, 1985, indicate that the existing levels of member and employer contributions are sufficient to meet the cost of benefits earned from January 1, 1985 to December 31, 1985.

### 5. SUPPLEMENTARY BENEFITS RESERVES

Under the terms of The Ontario Municipal Employees Retirement System Act various participating employers have entered into agreements with the Board for the provision of supplementary benefits. The supplementary reserves represent the net assets available for payment of benefits under the agreements. Each employer is responsible, individually, for the funding of such benefits.

Effective January 1, 1983 all assets and liabilities with respect to prior service agreements were transferred to the supplementary reserve. On the same date, the assets and liabilities of most supplementary agreements were then transferred to the basic OMERS plan.



# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Notes to the Financial Statements for the year ended December 31, 1985

### 5. SUPPLEMENTARY BENEFITS RESERVES (continued)

Where the assets transferred from the previous agreements were not sufficient to provide for the liabilities, the unfunded amounts were identified and are being paid off by the participating employers. Such unfunded liabilities are now recorded in the basic benefits reserve and are offset by a long term receivable from the participating employers, to be paid, with interest, over a period not to exceed 15 years. For any previous agreements where the assets were in excess of liabilities, the resulting surplus was refunded to the participating employers.

Supplementary agreements entered into by employers with the Board subsequent to January 1, 1983 are subject to a final determination of the actuarial liability for benefits under each agreement. The liabilities determined under each new supplementary agreement are recorded in the basic benefits reserve and are offset by a long-term receivable from the participating employers with repayment terms similar to those stated above.

### 6. ADMINISTERED PENSION FUNDS

The administered pension funds [which form part of the Fund and which are administered on behalf of the Ontario Council of Regents for Colleges of Applied Arts and Technology, the Ryerson Polytechnical Institute, the members of the Legislative Assembly as represented by the Board of Internal Economy (The Caucus Employees Retirement Fund) and the Minister of Energy for the Province of Ontario (The Ontario Hydro Guarantee Fund)] are credited with amounts which are equal to the income earned by the Fund from the investment of the monies deposited in the Fund by the administered pension funds. The Ontario Municipal Employees Retirement Board is authorized under the terms of the various management agreements to recover its expenses for administering the aforementioned plans.

### 7. COMMITMENTS

Total investment commitments outstanding at December 31, 1985 amounted to approximately \$291 million of which \$212 million relates to mortgages, \$28 million to real estate, \$14 million to bonds and debentures, and the remaining \$37 million to venture capital and other.

The administration of the Fund is conducted on leased premises and the Fund has entered into a lease agreement which involves a minimum annual base rental of \$765,928 to August 31, 1988.

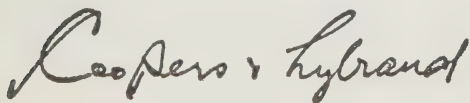


March 28, 1986

AUDITORS' REPORT TO THE  
ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

We have examined the balance sheet of the Ontario Municipal Employees Retirement Fund as at December 31, 1985, and the statement of the reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A stylized, handwritten signature of the firm Coopers & Lybrand in dark ink.

CHARTERED ACCOUNTANTS

THE *Wyatt* COMPANY

PENSION PLANS  
EMPLOYEE BENEFITS  
ADMINISTRATIVE SYSTEMS  
INTERNATIONAL BENEFITS  
RISK MANAGEMENT  
COMPENSATION PROGRAMS  
EMPLOYEE COMMUNICATIONS

ACTUARIES & CONSULTANTS

150 YORK STREET  
SUITE 1700  
TORONTO, ONTARIO M5H 3S5

(416) 862-0393

HALIFAX MONTREAL  
OTTAWA TORONTO  
CALGARY VANCOUVER  
AND  
PRINCIPAL CITIES  
AROUND THE WORLD

Actuarial Certificate at December 31, 1985

For The

Ontario Municipal Employees Retirement Board

The most recent actuarial valuation of the Ontario Municipal Employees Retirement System was conducted as at January 1, 1985 using the Unit Credit Actuarial Cost Method.

The results of the valuation disclosed total Actuarial Liabilities of \$4,752.726 million in respect of benefits accrued for service prior to January 1, 1985. The Actuarial Value of Assets at that date was \$4,979.972 million indicating an actuarial surplus or Funding Excess of \$227.246 million.

The results of the valuation also indicated that the existing levels of employee and employer contributions are sufficient to meet the Normal Actuarial Cost of benefits to be earned each calendar year until the next actuarial valuation is performed.

We are of the opinion therefore, in accordance with generally accepted actuarial principles, that the assets of the Fund at December 31, 1985 are sufficient to meet all the liabilities of the Plan in respect of services rendered by members up to that date.

Respectfully submitted

THE WYATT COMPANY

*Martin Brown*

MARTIN J. K. BROWN, F.I.A.  
Fellow, Canadian Institute of Actuaries

February 12, 1986

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## 5 Year Review of Financial Data – 1981 to 1985

(\$ Thousands)	1985	1984	1983	1982	1981
<b>*Investments at Cost</b>					
Provincial Debentures	\$1,293,025	\$1,293,025	\$1,293,025	\$1,293,025	\$1,293,025
Marketable Securities	<u>4,980,987</u>	<u>3,988,824</u>	<u>3,075,543</u>	<u>2,440,504</u>	<u>1,776,764</u>
	<u>\$6,274,012</u>	<u>\$5,281,849</u>	<u>\$4,368,568</u>	<u>\$3,733,529</u>	<u>\$3,069,789</u>
<b>*Reserve for</b>					
Basic Benefits	\$5,706,521	\$4,814,414	\$4,070,275	\$3,191,720	\$2,604,125
Prior Service Agreements	—	—	—	4,361	4,714
Supplementary Benefit Agreements	76,579	66,875	64,594	190,304	176,539
Managed Plans	<u>713,283</u>	<u>597,789</u>	<u>499,299</u>	<u>413,160</u>	<u>340,059</u>
	<u>\$6,496,383</u>	<u>\$5,479,078</u>	<u>\$4,634,168</u>	<u>\$3,799,545</u>	<u>\$3,125,437</u>
<b>Investment Income Earned</b>					
Basic Plan	\$569,377	\$457,582	\$371,133	\$298,605	\$238,447
Prior Service Agreements	—	—	—	225	235
Supplementary Benefit Agreements	8,289	7,036	6,715	17,704	14,318
Managed Plans	<u>73,707</u>	<u>60,060</u>	<u>47,192</u>	<u>39,341</u>	<u>31,479</u>
	<u>\$651,373</u>	<u>\$524,678</u>	<u>\$425,040</u>	<u>\$355,875</u>	<u>\$284,479</u>
<b>Contributions Received for</b>					
Basic Plan	\$405,301	\$380,769	\$361,937	\$336,368	\$289,121
Basic Plan Unfunded Liabilities	53,196	21,329	134,315	—	—
Prior Service Agreements	—	—	—	32	32
Supplementary Benefit Agreements	<u>4,127</u>	<u>3,172</u>	<u>4,069</u>	<u>41,504</u>	<u>37,507</u>
	<u>\$462,624</u>	<u>\$405,270</u>	<u>\$500,321</u>	<u>\$377,904</u>	<u>\$326,660</u>
<b>Payments to Members</b>					
Pensions Paid	\$108,092	\$ 86,858	\$ 69,315	\$ 55,304	\$ 45,128
Contributions and Interest Refunded	27,094	23,377	26,115	16,064	21,676
Transfers to Other Plans	<u>1,515</u>	<u>1,548</u>	<u>1,347</u>	<u>1,619</u>	<u>1,106</u>
	<u>\$136,701</u>	<u>\$111,783</u>	<u>\$ 96,777</u>	<u>\$ 72,987</u>	<u>\$ 67,910</u>
<b>Administrative Expenditures and Recoveries</b>					
Pension Program					
Gross	\$ 3,573	\$ 3,461	\$ 2,959	\$ 2,721	\$ 2,399
Fee Recoveries	<u>565</u>	<u>505</u>	<u>513</u>	<u>832</u>	<u>765</u>
Net	\$ 3,008	\$ 2,956	2,446	\$ 1,889	\$ 1,634
Investment Program	<u>4,627</u>	<u>2,656</u>	<u>2,330</u>	<u>1,641</u>	<u>1,073</u>
	<u>\$ 7,635</u>	<u>\$ 5,612</u>	<u>\$ 4,776</u>	<u>\$ 3,530</u>	<u>\$ 2,707</u>
<b>Annual Return on Investments at Cost</b>					
Provincial Debentures	9.07%	9.07%	9.07%	9.07%	9.07%
Marketable Securities	12.69%	12.40%	11.66%	12.13%	12.09%
Total Portfolio	11.83%	11.45%	10.80%	10.91%	10.63%

Unaudited figures

\*the amount shown for each year as at December 31 is cumulative

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## 5 Year Review of Selected Data – 1981 to 1985

	<u>1985</u>	<u>1984</u>	<u>1983</u>	<u>1982</u>	<u>1981</u>
*Employers					
Municipalities	504	493	490	491	489
School Boards	133	133	133	129	126
Other Local Boards	426	426	423	422	422
	<u>1,063</u>	<u>1,052</u>	<u>1,046</u>	<u>1,042</u>	<u>1,037</u>
*Members Contributing, Employed by					
Municipalities	69,469	67,024	65,588	64,510	63,280
School Boards	34,568	33,253	32,536	32,027	30,828
Other Local Boards	31,061	30,168	29,725	29,584	28,929
	<u>135,098</u>	<u>130,445</u>	<u>127,849</u>	<u>126,121</u>	<u>123,037</u>
*Members Contributing					
Female	52,880	50,005	48,287	46,924	44,827
Male	82,218	80,440	79,562	79,197	78,210
	<u>135,098</u>	<u>130,445</u>	<u>127,849</u>	<u>126,121</u>	<u>123,037</u>
*Normal Retirement Age 65	116,937	112,704	110,343	108,855	106,314
*Normal Retirement Age 60	18,161	17,741	17,506	17,266	16,723
	<u>135,098</u>	<u>130,445</u>	<u>127,849</u>	<u>126,121</u>	<u>123,037</u>
*Terminated Members Who Have Elected a Deferred Pension	<u>3,805</u>	<u>3,786</u>	<u>3,721</u>	<u>3,710</u>	<u>3,326</u>
*Number of Pensioners by Type of Pension					
Normal Retirement	16,358	15,218	14,386	13,442	12,540
Early Retirement	5,719	4,841	4,034	3,341	2,886
Disability Retirement	1,843	1,705	1,603	1,473	1,379
Spouses and Children	6,961	6,387	5,590	5,031	4,505
	<u>30,881</u>	<u>28,151</u>	<u>25,613</u>	<u>23,287</u>	<u>21,310</u>
*Total Membership Comprising Contributing Members, Deferred Pensions and Pensioners	<u>169,784</u>	<u>162,382</u>	<u>157,183</u>	<u>153,118</u>	<u>147,673</u>
Number of Members Enrolled Each Year	14,694	11,436	9,901	11,764	14,475
Number of Members Terminated Each Year	<u>10,041</u>	<u>8,840</u>	<u>8,173</u>	<u>8,680</u>	<u>11,169</u>
Net Increase in Membership	<u>4,653</u>	<u>2,596</u>	<u>1,728</u>	<u>3,084</u>	<u>3,306</u>

Unaudited figures

\*Cumulative totals at year end

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Historical Highlights

**1962** — An Act establishing the Ontario Municipal Employees Retirement System was given Royal Assent on April 18th.

**1963** — The first members of the System were enrolled on January 1st and the first contributions received one month later.

**1965** — Amendments were made for the "locking-in" of contributions as required under the Pension Benefits Act.

After July 1, 1965 all persons engaged by a municipality or local board must participate in OMERS to receive pension benefits.

Provision was made for OMERS to manage and administer other pension plans.

**1966** — The contributions and benefits were integrated with the contributions and benefits of the Canada Pension Plan.

Employees of electric utilities became members of OMERS for the first time.

**1967** — The supplementary benefit program was introduced.

**1968** — The eleven member Board was appointed by the Lieutenant Governor in Council on January 1.

The interest rate on the special Provincial debentures issued to OMERS at each year end was increased from 5% to 6%.

The benefit formula was increased 10% from 2% of career earnings to 2.2% of career earnings.

**1969** — A disabled widower was extended the same benefits as a widow on the death of a member.

**1970** — The interest rate on the special Provincial debentures issued to the Board at each year end was changed from 6% to the average borrowing costs of the Province during a year.

All basic pension benefits earned or payable on December 31, 1970 were increased by 10%.

**1971** — All basic pension benefits earned or payable at December 31, 1971 were increased by 5%.

In addition to the 50% widows' and disabled widowers' pensions payable on the death of a member, a further pension of 10% for each child of the deceased member to a maximum of 25% was introduced.

**1972** — Councillors became eligible for membership in the System.

All basic pension benefits earned or payable on December 31, 1972 were increased by 5%.

**1973** — An employer could improve the pensions being paid to retired employees through the System.

Rates of interest on special Provincial debentures issued to the Board during the years 1963 to 1969 were retroactively adjusted.

All basic pension benefits earned or payable at December 31, 1973 were increased by 5%.

**1974** — A portion of available funds could be invested in marketable securities under the provisions of the Pension Benefits Act commencing in 1975.

**1975** — All basic pension benefits earned by active and deferred members as at December 31, 1975 were increased by 10%.

All pensions being paid to retired members on December 31, 1975 were increased by 10%.

A widower of a member became entitled to the same 50% pension as a widow on the death of a member.

Board authorized to invest a portion of funds in capital market securities.

**1976** — Optional service, being service with another governmental employer or war service, was added to the supplementary benefit program.

**1978** — Pension formula changed from 2.2% career average earnings basis to a 2% final average earnings basis.

All pensions being paid to retired members on December 31, 1977 were increased by 3% from March 1, 1978.

**1979** — All available funds invested in capital market securities.

**1980** — All pensions being paid to retired members on January 1, 1979 were increased by 4% from January 1, 1981.

**1981** — Spousal benefits no longer cease on remarriage and the reduction in the spouse pension when the spouse is more than 10 years younger than spouse was eliminated.

**1982** All pensions being paid to retired members on December 1, 1981 were increased 4% from July 1, 1982.

**1983** All pensions being paid to retired members on December 1, 1982 were increased 4% from July 1, 1983. All vested deferred pensions were similarly increased plus a retroactive adjustment for increases granted to pensions in 1982, 1981, 1980 and 1978.

"90 Factor" unreduced early retirement pensions were introduced.

**1984** — All pensions being paid to retired members on December 1, 1983 were increased 4% from July 1, 1984. All vested deferred pensions and all fixed amounts of pensions were similarly increased.

**1985** — All pensions being paid to retired members on December 1, 1984 were increased 4% from July 1, 1985. All vested deferred pensions and all fixed amounts of pensions were similarly increased.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

## Summary of Benefits as at December 31, 1985

### Basic Benefits

**Normal retirement** at age 65 — except policemen and firemen who may retire at age 60.

The annual **normal retirement pension** payable to a member is 2% of pensionable earnings multiplied by years of credited service, reduced when the member becomes entitled to a pension under the Canada Pension Plan. In this formula:

"pensionable earnings" means the annual average of the 60 highest consecutive months of earnings;

"credited service" means service when contributions have been made, transferred in service and past service under a full Type 1 supplementary benefit;

"CPP reduction" means 0.7% of the annual average of the Year's Maximum Pensionable Earnings under the CPP in the year of retirement and the two preceding years times credited service since January 1, 1966.

A **total disability retirement benefit** for a disability that, in the first two years, renders a member incapable of performing the duties of his or her position and thereafter of any substantially gainful employment. The totally disabled member may continue to accrue credited service without contribution until normal retirement age or may elect a disability pension.

A **pension for life to a widow or widower** of one-half the member's pension plus 10% for each child under 21 years of age to a maximum of 25% and, where there is no widow or widower, a pension of one-half the member's pension to the child or children of the member under 21 years of age.

A **deferred pension**, payable at normal retirement age, if a member ceases to be employed before his normal retirement date. The pension benefits earned by a member under the System vest immediately in the member.

An **early retirement pension**, commencing within the 10 year period before normal retirement age payable without reduction if the age and service of the member totals 90 or more or reduced 5% per year.

A **refund** of the contributions of a member plus interest if the member terminates his employment, except if at termination the member has 10 years of continuous service with the employer and is over 45 years of age, then his contributions made after January 1, 1965 may not be refunded.

**Portability** of the credited service if a member transfers employment from one participating employer to another or to other governmental pension plans under special reciprocal transfer agreements.

**Supplementary Benefits** (provided by an agreement between a participating employer and OMERS)

### Full Type 1 — Final Average Earnings, Past Service Pension

The full Type 1 provides for the service of a member before the member's employer participated in OMERS (past service) to become credited service in the basic plan and be fully portable within the System. Any pension earned under a previous pension plan for the same period of past service is deducted from the pension from OMERS.

### Partial Type 1 — Final Average Earnings, Past Service Pension

The partial Type 1 provides a portion of a benefit based on 2% of final average earnings and service before the member's employer participated in OMERS (past service). Any pension earned under a previous pension plan for the same period of past service is deducted from the pension from OMERS.

### Type 2 — Current Average Earnings, Past Service Pension

As of January 1, 1983 this type of supplementary benefit is no longer available although all existing agreements at the end of 1982 will continue to operate and member pension amounts are protected.

### Type 3 — Unreduced Early Retirement Pension for Members with a Normal Retirement Age of 60 Years

The Type 3 benefit provides for payment of an unreduced pension if a member retires within 10 years of normal retirement date under the following conditions:

- (a) completion of 30 or more years of service with the employer, or
- (b) due to permanent partial disability as determined by the employer.

### Type 3 — Unreduced Early Retirement Pension for Members with a Normal Retirement Age of 65 Years

The Type 3 benefit provides for payment of an unreduced pension only if a member retires within 10 years of normal retirement date due to permanent partial disability as determined by the employer.

**Optional Service** — The service of a member with another governmental employer or war service may be added to a Type 1 or Type 2 benefit and the member must contribute on a formula basis to be entitled to this service. This service becomes additional past service of the member.

# ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

## Summary of Marketable Securities as at December 31, 1985

(\$ Thousands)

	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
<b>Short Term</b>	<u>\$ 131,907</u>	<u>2.6%</u>	<u>9.45%</u>	<u>\$ 131,907</u>
<b>Bonds</b>				
Government — Canada	\$ 478,677	9.6%	11.81%	\$ 528,513
— Provincial	323,282	6.5	11.98	357,047
— Municipal	26,365	0.5	10.81	26,865
Corporate	433,835	8.7	12.02	454,003
Term Loans	<u>113,804</u>	<u>2.3</u>	<u>12.73</u>	<u>113,804</u>
<b>Total Bonds</b>	<u>\$1,375,963</u>	<u>27.6%</u>	<u>11.97%</u>	<u>\$1,480,232</u>
<b>Mortgages</b>				
Residential				
— Single Family	\$ 9,443	0.2%	12.42%	\$ 9,847
— Rental	899,975	18.1	13.02	965,620
— Condominium	445	0.0	13.52	461
Commercial				
— Rentals	2,059	0.0	13.69	2,412
— Office Buildings	120,383	2.4	12.64	134,701
— Shopping Centres	69,079	1.4	12.41	82,428
— Hotel	13,367	0.3	13.96	14,599
— Retail	3,905	0.1	12.23	4,163
— Industrial Buildings	<u>8,472</u>	<u>0.2</u>	<u>13.58</u>	<u>9,851</u>
<b>Total Mortgages</b>	<u>\$1,127,128</u>	<u>22.6%</u>	<u>12.96%</u>	<u>\$1,224,082</u>
<b>Equities</b>				
Canada				
Individual Stocks				
— Metals and Minerals	\$158,287	3.2%	2.52%	\$ 169,614
— Oil and Gas	319,671	6.4	2.14	316,936
— Paper and Forest Products	88,804	1.8	1.36	106,075
— Consumer Products	25,721	0.5	8.05	72,395
— Industrial Products	145,373	2.9	4.27	194,420
— Real Estate and Construction	64,014	1.3	2.15	79,834
— Transportation	42,618	0.9	3.89	64,708
— Pipelines	71,517	1.4	5.20	68,881
— Communications and Media	37,662	0.8	3.21	62,959
— Merchandising	36,511	0.7	2.47	59,625
— Financial Services	260,852	5.2	5.43	343,971
— Management Companies	39,498	0.8	3.80	52,966
Convertible Debentures	25,425	0.5	9.50	25,380
Mutual Funds	<u>30,065</u>	<u>0.6</u>	<u>1.98</u>	<u>48,371</u>
<b>Total Canadian Equities</b>	<u>\$1,346,018</u>	<u>27.0%</u>	<u>3.56%</u>	<u>\$1,666,135</u>



# **ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND** **Summary of Marketable Securities as at December 31, 1985**

(\$ Thousands)	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
<b>Equities (continued)</b>				
Non-Canada (Canadian \$)				
United States				
Individual Stocks				
— Machines	\$ 15,060	0.3%	4.38%	\$ 18,790
— Electrical	\$ 6,147	0.1%	4.65%	\$ 10,330
— Metals & Minerals	23,364	0.5	3.52	29,622
— Pollution Control	5,246	0.1	2.16	9,432
— Chemicals	6,237	0.1	4.20	6,206
— Diversified — Building	3,534	0.1	11.08	16,527
— Misc. & Diversified	14,123	0.3	3.70	18,570
— Technology	37,518	0.8	2.06	50,649
— Oil — International	22,236	0.4	7.56	24,764
— Oil — Domestic	7,177	0.1	7.69	11,622
— Oil Well Equipment	14,790	0.3	3.26	12,753
— Drugs	21,047	0.4	5.88	46,290
— Hospital Management	7,198	0.1	3.09	9,832
— Electrical Appliances	6,682	0.1	3.23	8,267
— Cosmetics	14,764	0.3	8.18	25,028
— Autos	8,793	0.2	6.15	8,754
— Food	4,552	0.1	10.53	16,058
— Photography	18,124	0.4	5.15	28,595
— Retailing	9,453	0.2	4.60	21,281
— Textiles	6,620	0.1	3.87	10,289
— Tobacco	1,241	0.0	10.37	1,331
— Banks	13,575	0.3	6.57	21,095
— Utilities	12,198	0.2	10.72	18,332
Mutual Funds	124,130	2.5	3.42	196,233
Global				
— Managed Funds	180,595	3.6	2.05	229,695
Total Non-Canadian Equities	\$ 584,404	11.7%	3.19%	\$ 850,345
Total Equities	\$1,930,422	38.8%	3.45%	\$2,516,480
<b>Real Estate</b>				
	275,416	5.5	8.70	305,092
<b>Venture Capital &amp; Other</b>				
	140,151	2.8	1.00	140,151
<b>Total Market Fund Investments</b>	<u>\$4,980,987</u>	<u>100.0%</u>	<u>8.33%</u>	<u>\$5,797,944</u>

**\*Estimated Market Values**

Bonds:	Quoted values	Real Estate:	Appraised values
Mortgages:	Computed on current market yields	Venture Capital	
Equities:	Quoted values	& Other:	Cost

















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